

Macquarie Capital (Europe) Limited

COMPANY NUMBER 03704031

Annual Report and Financial Statements
for the financial year ended 31 March 2017



The Company's registered office is:
Ropemaker Place
28 Ropemaker Street
London EC2Y 9HD
United Kingdom

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Macquarie Capital (Europe) Limited

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Macquarie Capital (Europe) Limited

Strategic Report for the financial year ended 31 March 2017

In accordance with a resolution of the directors (the "Directors") of Macquarie Capital (Europe) Limited (the "Company"), the Directors submit herewith the Strategic Report of the Company as follows:

Principal activities

The principal activities of the Company during the financial year ended 31 March 2017 were as follows:

Cash Equities

The Company operates an institutional stockbroking business, acting as principal with external clients and the market, and as a market maker for a number of European equities. The Company also undertakes the activity of soliciting clients and introducing them to the other members of the Macquarie Group. Settlement operations have been outsourced to a third party.

Equities Research

The Company provides equity research services to clients.

Corporate Advisory

The Company undertakes advisory activities in the United Kingdom, the Republic of Ireland and Continental Europe.

Insurance Business

The Company manages the Macquarie Asset Management (MAM) insurance business in Europe.

All of the principal activities of the Company are undertaken in the United Kingdom and through its European branches.

Review of operations

The loss for the financial year ended 31 March 2017 was £13,132,297, a decrease of 21 per cent from the loss of £16,594,814 in the previous year.

The net operating loss for the year ended 31 March 2017 was £16,862,319, a decrease of 9 per cent from the operating loss of £18,555,931 in the previous year.

Total operating expenses for the year ended 31 March 2017 were £170,270,791, an increase from £125,253,172 in the previous year.

As at 31 March 2017, the Company had net assets of £41,888,317 (2016: £54,080,825).

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Macquarie Group and are not managed separately. Accordingly, the principal risks and uncertainties of Macquarie Group Limited ("MGL"), which include those of the Company, are discussed in its financial statements and can be obtained from the address given in Note 26.

On 23 June 2016, a referendum was held on Britain's membership of the European Union ("EU"), which resulted in the decision to exit the EU. The economic, regulatory and legal environment as a result would depend on the nature of the transitional arrangements. The Macquarie Group operates parts of its European Union business from United Kingdom based subsidiaries such as the Company. The Company continues to assess the possible impacts and its strategic options.

Macquarie Capital (Europe) Limited

Strategic Report (continued) for the financial year ended 31 March 2017

Financial risk management

Risk is an integral part of the Macquarie Group's businesses. The Company is exposed to a variety of financial risks that include the effects of credit risk, liquidity risk, operational risk, market risk, interest rate risk, and foreign exchange risk. Additional risks faced by the Company include legal, compliance and documentation risk. Responsibility for management of these risks lies with the individual businesses giving rise to them. It is the responsibility of the Risk Management Group ("RMG") to ensure appropriate assessment and management of these risks.

As ultimately an indirect subsidiary of MGL, the Company manages risk within the framework of the overall strategy and risk management structure of the Macquarie Group. RMG is independent of all other areas of the Macquarie Group, reporting directly to the Managing Director and the Board of MGL. The Head of RMG is a member of the Executive Committee of MGL. RMG authority is required for all material risk acceptance decisions. RMG identifies, quantifies and assesses all material risks and sets prudential limits. Where appropriate, these limits are approved by the Executive Committee and the Board of MGL. The risks which the Company is exposed to are managed on a globally consolidated basis for MGL as a whole, including all subsidiaries, in all locations. Macquarie's internal approach to risk ensures that risks in subsidiaries are subject to the same rigour and risk acceptance decisions.

Credit risk

The Company mitigates its material credit risk exposures through guarantee arrangements with its ultimate parent, MGL, and indemnity arrangements with Macquarie Corporate Holdings Pty Limited ("MCHPL"). Credit exposures, approvals and limits are controlled within the Macquarie Group's credit risk framework, as established by RMG.

Liquidity risk

Liquidity risk is the risk of an entity encountering difficulty in meeting obligations with financial liabilities. The Directors have adopted the risk model used by the Macquarie Group, as approved by RMG. This model is incorporated into the Macquarie Group's risk management systems to enable the Company to manage this risk effectively.

Market risk

The Company is exposed to market risk through its facilitation and market making activities. The Directors have adopted the risk model used by the Macquarie Group, as approved by RMG. This model is incorporated into the Macquarie Group's risk management systems to enable the Company to manage this risk effectively. In addition, the Directors have approved RMG imposed cash limits on positions taken by the Equity Markets business.

Interest rate risk

The Company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include cash balances and receivables from other Macquarie Group undertakings and external parties, all of which earn a variable rate of interest. Interest bearing liabilities include payables to other Macquarie Group undertakings and external parties, which also incur a variable rate of interest.

Macquarie Capital (Europe) Limited

Strategic Report (continued) for the financial year ended 31 March 2017

Foreign exchange risk

The Company has foreign exchange exposures which include amounts receivable from and payable to other Macquarie Group undertakings and external parties which are denominated in non-functional currencies. Any material non-functional currency exposures are managed by applying a group wide process of minimising exposure at an individual company level.

Key performance indicators (KPIs)

The return on assets for the financial year ended 31 March 2017 was negative 1.51 per cent (2016: negative 5.20 per cent) calculated as loss attributable to ordinary equity holders divided by the total assets of the Company.

Given the straightforward nature of the business and the information provided elsewhere in this report, the Directors are of the opinion that the production of further KPIs in the Strategic Report is not necessary for an understanding of the development, performance or position of the business. KPIs are monitored at the Macquarie Group level.

On behalf of the Board



Director **DAVID FASS**
18 JULY

2017

Directors' Report

for the financial year ended 31 March 2017

In accordance with a resolution of the Directors of the Company, the Directors submit herewith the audited financial statements of the Company and report as follows:

Directors and Secretaries

The Directors who each held office as a Director of the Company throughout the year and until the date of this report, unless disclosed otherwise, were:

K Burgess	(appointed on 06 March 2017)
J Dyckhoff	(resigned on 06 March 2017)
D Fass	
D Patel	
D Wong	

The Secretary who held office as a Secretary of the Company throughout the year and until the date of this report, unless disclosed otherwise, was:

H Everitt	
O Shepherd	(appointed on 22 September 2016 and resigned on 16 December 2016)

Results

The loss for the financial year ended 31 March 2017 was £13,132,297 (2016: £16,594,814).

The German branch contributed a profit of £339,007 (2016: loss of £948,427), the Irish branch contributed a loss of £618,426 (2016: loss of £186,616), the Netherlands branch contributed a profit of £1,335,044 (2016: loss of £150,363), and the French branch contributed a profit of £8,089 (2016: loss of £8,706) to the overall loss on ordinary activities before taxation of £17,756,472 (2016: £21,017,914).

Dividends paid or provided for

No final dividends were paid or provided for during the financial year (2016: £nil). No final dividend has been proposed.

State of affairs

The Company has branches in Germany, Ireland and the Netherlands. It also has representative offices in Switzerland and Spain. The Company's branch in France was deregistered on 5 July 2016.

There were no significant changes in the state of the affairs of the Company that occurred during the financial year under review not otherwise disclosed in the Directors' report.

Events after the reporting period

On 15 June 2017, the Board of Directors authorised the issuance of 40,000,000 ordinary shares at £1 per share to the Company's immediate parent, Macquarie Corporate Holdings Pty Limited (UK Branch).

On 29 June 2017, the Board of Directors authorised the issuance of 90,000,000 ordinary shares at £1 per share to the Company's immediate parent, Macquarie Corporate Holdings Pty Limited (UK Branch).

As of the date of this report, the Directors are not aware of any other matter or circumstance which has arisen that has significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in the financial years subsequent to 31 March 2017 not otherwise disclosed in this report.

Directors' Report (continued)
for the financial year ended 31 March 2017

Likely developments, business strategies and prospects

The Directors believe that no significant changes are expected other than those already disclosed in this report.

The financial risk management objectives and policies of the Company and the exposure of the Company to credit risk, liquidity risk, market risk, interest rate risk, and foreign exchange risk are contained within the Strategic Report.

Indemnification and insurance of Directors

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The ultimate parent purchased and maintained throughout the financial year Directors' liability insurance in respect of the Company and its Directors.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 101 "*Reduced Disclosure Framework*" (FRS 101) and applicable law).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.


Directors' Report (continued)
for the financial year ended 31 March 2017

Independent auditors

Pursuant to section 487(2) of the Companies Act 2006, the auditors of the Company are deemed re-appointed for each financial year unless the Directors or the members of the Company resolve to terminate their appointment. As at the date of these financial statements, the Directors are not aware of any resolution to terminate the appointment of the auditors.

On behalf of the Board,

Director


DAVID FASS 2017
18 JULY,

Macquarie Capital (Europe) Limited

Independent auditors' report to the members of Macquarie Capital (Europe) Limited

Report on the financial statements

Our opinion

In our opinion, Macquarie Capital (Europe) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- balance sheet as at 31 March 2017;
- profit and loss account and statement of comprehensive income for the year then ended;
- statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Macquarie Capital (Europe) Limited

Independent auditors' report to the members of Macquarie Capital (Europe) Limited (continued)

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

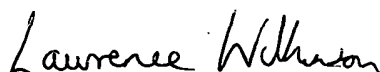
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Lawrence Wilkinson (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Macquarie Capital (Europe) Limited

Profit and loss account for the financial year ended 31 March 2017

	Note	2017 £	2016 £
Turnover	3	153,145,496	106,174,160
Administrative expenses	3	(170,270,791)	(125,253,172)
Other operating income	3	262,976	523,081
Operating loss		(16,862,319)	(18,555,931)
Interest receivable and similar income	5	1,230,507	1,451,894
Interest payable and similar charges	6	(2,124,660)	(2,634,466)
Amounts written off investments	10	-	(1,279,411)
Loss on ordinary activities before taxation		(17,756,472)	(21,017,914)
Tax on loss on ordinary activities	7	4,624,175	4,423,100
Loss for the financial year		(13,132,297)	(16,594,814)

The above profit and loss account should be read in conjunction with the accompanying notes, which form an integral part of the financial statements.

Turnover and loss on ordinary activities before taxation relate wholly to continuing operations.

Macquarie Capital (Europe) Limited

Statement of comprehensive income for the financial year ended 31 March 2017

	Notes	2017 £	2016 £
Loss after tax for the financial year		(13,132,297)	(16,594,814)
Other recognised gains/(losses):			
Items that will not be reclassified to profit or loss:			
Actuarial (loss)/gain on pension schemes	16	(320,257)	4,583
Deferred tax associated with actuarial (loss)/gain	16	672,263	530,489
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations	16	483,890	221,830
<i>Total other recognised gains for the financial year</i>		<i>835,896</i>	<i>756,902</i>
Total comprehensive expense		(12,296,401)	(15,837,912)
Total recognised losses for the financial year that are attributable to ordinary equity holders of the Company		(12,296,401)	(15,837,912)

The above statement of comprehensive income should be read in conjunction with the accompanying notes, which form an integral part of the financial statements.

Macquarie Capital (Europe) Limited


Balance sheet as at 31 March 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	8	179,304	227,370
		179,304	227,370
Current assets			
Deferred tax assets	7	2,271,864	2,943,751
Debtors	9	861,061,546	311,843,769
Investments	10	1,413,328	763,059
Cash at bank and in hand	11	3,177,780	3,443,644
		867,924,518	318,994,223
Current liabilities			
Trading portfolio liabilities	12	(48,142)	(214,844)
Creditors: amounts falling due within one year	13	(823,248,594)	(261,994,170)
		(823,296,736)	(262,209,014)
Net current assets		44,627,782	56,785,209
Total assets less current liabilities		44,807,086	57,012,579
Provisions for liabilities	14	(1,256,948)	(1,098,586)
Net assets excluding pension liability		43,550,138	55,913,993
Pension liability	14	(1,661,821)	(1,833,168)
Net assets including pension liability		41,888,317	54,080,825
Capital and reserves			
Called up share capital	15	151,601,000	151,601,000
Share premium account	15	4,999,000	4,999,000
Equity contribution from parent entity	15	1,946,860	1,842,967
Other reserves	16	(68,655)	(904,551)
Profit and loss account	16	(116,589,888)	(103,457,591)
Total shareholders' funds		41,888,317	54,080,825

The above balance sheet should be read in conjunction with the accompanying notes, which form an integral part of the financial statements.

The financial statements on pages 10 to 40 were authorised for issue by the Board of Directors on 18 July 2017 and were signed on its behalf by:

Director


DAVID FASS

Macquarie Capital (Europe) Limited

Statement of changes in equity for the financial year ended 31 March 2017

	Note	Called up share capital £	Share premium account £	Equity contribution from parent entity £	Other reserves £	Profit and loss account £	Total shareholders' funds £
Balance at 1 April 2015		105,901,000	4,999,000	1,858,578	(1,661,453)	(86,862,777)	24,234,348
Loss for the financial year		-	-	-	-	(16,594,814)	(16,594,814)
Other comprehensive income		-	-	-	756,902	-	756,902
Total comprehensive income/(expense)		-	-	-	756,902	(16,594,814)	(15,837,912)
Transactions with equity holders in their capacity as ordinary equity holders:							
Issue of share capital	15	45,700,000	-	-	-	-	45,700,000
Other equity movements							
Share based payments	15	-	-	(15,611)	-	-	(15,611)
Balance at 31 March 2016		151,601,000	4,999,000	1,842,967	(904,551)	(103,457,591)	54,080,825
Loss for the financial year		-	-	-	-	(13,132,297)	(13,132,297)
Other comprehensive income		-	-	-	835,896	-	835,896
Total comprehensive income/(expense)		-	-	-	835,896	(13,132,297)	(12,296,401)
Other equity movements							
Share based payments	15	-	-	103,893	-	-	103,893
Balance at 31 March 2017		151,601,000	4,999,000	1,946,860	(68,655)	(116,589,888)	41,888,317

The above statement of changes in equity should be read in conjunction with the accompanying notes, which form an integral part of the financial statements.

Macquarie Capital (Europe) Limited

Notes to the financial statements for the financial year ended 31 March 2017

Note 1. General information

The Company is a private company and is incorporated and domiciled in the UK. The address of its registered office is Ropemaker Place, 28 Ropemaker Street, London EC2Y 9HD, United Kingdom.

Note 2. Summary of significant accounting policies

i) Basis of preparation

The principal accounting policies adopted in the preparation of these financial statements have been consistently applied to all the years presented, unless otherwise stated.

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment securities available for sale and certain financial assets and financial liabilities measured at fair value through profit and loss, and in accordance with the Companies Act 2006.

The financial statements contain information about the Company as an individual company and do not contain consolidated financial information as a parent of a group. The Company is exempt under section 401 of the Companies Act from the requirement to prepare consolidated financial statements as it is included in full consolidation in the consolidated financial statements of its ultimate parent MGL, a company incorporated in Australia.

FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in FRS 101 which addresses the financial reporting requirements and disclosure exemptions in the financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted International Financial Reporting Standards ("IFRS").

The following exemptions from the requirements of International Financial Reporting Standards ("IFRS") have been applied in the preparation of these financial statements, in accordance with FRS 101:

- The requirements of paragraphs 45(b) and 46-52 of IFRS 2 'Share-based Payment' (details of the number and weighted average exercise price of share-based payment arrangements concerning equity instruments of another group entity and how the fair value of goods or services received was determined).
- The requirements of paragraphs 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - Paragraph 79(a)(iv) of IAS 1 (reconciliation of shares outstanding).
 - Paragraph 73(e) of IAS 16 'Property, Plant and Equipment'.
- The requirements of paragraphs of IAS 1, 'Presentation of financial statements':
 - 10 (d), (statement of cash flows),
 - 16 (statement of compliance with all IFRS),
 - 38A (requirement for minimum of two primary statements, including cash flow statements),
 - 38 B-D (additional comparative information),
 - 111 (cash flow statement information), and
- The requirements of IAS 7 'Statement of Cash Flows'.
- The requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- The requirements of paragraph 17 of IAS 24 'Related Party Disclosures' (key management compensation).
- The requirements of IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group where both parties to the transaction are wholly owned within the group.
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 'Impairment of Assets'.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2017

Note 2. Summary of significant accounting policies (continued)

i) Basis of preparation (continued)

Critical accounting estimates and significant judgements

The preparation of the financial report in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. The notes to the financial statements set out areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the Company and the financial report such as:

- fair value of financial assets and liabilities (note 24);
- pension commitments (note 14);
- impairment of investments (note 10); and
- recoverability of deferred tax assets and measurement of current and deferred tax liabilities (note 7).

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events.

Management believes the estimates used in preparing the financial report are reasonable. Actual results in the future may differ from those reported and therefore it is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from our assumptions and estimates could require an adjustment to the carrying amounts of the assets and liabilities reported.

ii) Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

iii) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of foreign operations are measured using the currency of the primary economic environment in which the foreign operation operates (the functional currency). The Company's financial statements are presented in 'Pounds Sterling' (£), which is also the Company's functional currency.

Transactions and balances

Foreign currency transactions are recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss.

Translation differences on non-monetary items (such as equities) held at fair value through profit or loss, are reported as part of the fair value gain or loss in the profit and loss account. Translation differences on non-monetary items classified as available for sale financial assets are included in the available-for-sale reserve in equity.

Exchange differences arising from the translation of the Company's foreign branches and representative offices which have functional currencies other than pounds sterling are recognised in a reserve within equity.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2017

Note 2. Summary of significant accounting policies (continued)

iv) Revenue and expense recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for each major revenue stream as follows:

Fee and commission income and expense

Corporate advice and other fees charged in respect of services provided are brought to account as work is completed and a fee is agreed with clients. Brokerage income is recognised when the related services are performed.

Other operating income

Net trading income comprises gain and loss related to trading assets and liabilities and include all realised and unrealised fair value changes, and foreign exchange differences.

Interest income/expense

Interest income and expense is brought to account using the effective interest method. The effective interest method calculates the amortised cost of a financial instrument and allocates the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or liability. Fees and transaction costs associated with loans are capitalised and included in the effective interest rate and recognised in the profit and loss account over the expected life of the instrument.

Expenses

Expenses are brought to account on an accruals basis and, if not paid at the end of the reporting period, are reflected in the balance sheet as a payable.

v) Taxation

The principles of the balance sheet method of tax effect accounting have been adopted whereby the income tax expense for the financial year is the tax payable on the current year's taxable income adjusted for changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements and unused tax losses.

Deferred tax assets are recognised when temporary differences arise between the tax bases of assets and liabilities and their respective carrying amounts which give rise to a future tax benefit, or when a benefit arises due to unused tax losses. In both cases, deferred tax assets are recognised only to the extent that it is probable that future taxable amounts will be available to utilise those temporary differences or tax losses. Deferred tax liabilities are recognised when such temporary differences will give rise to taxable amounts that are payable in future periods. Deferred tax assets and liabilities are recognised at the tax rates expected to apply when the assets are recovered or the liabilities are settled under enacted or substantively enacted tax law.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

The Company undertakes transactions in the ordinary course of business where the income tax treatment and recognition of deferred tax assets requires the exercise of judgement. The Company estimates its tax liability based on its understanding of the tax law.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2017

Note 2. Summary of significant accounting policies (continued)

vi) Trading portfolio assets and liabilities

Trading portfolio assets (long positions) comprise equity securities purchased with the intent of being actively traded. Trading portfolio liabilities (short positions) comprise obligations to deliver assets across the same trading categories, which the Company has short-sold with the intent of being actively traded.

Assets and liabilities included in the trading portfolio are carried at fair value (see note 10 and note 12). Realised gains and losses, and unrealised gains and losses arising from changes in the fair value of the trading portfolio are recognised as net trading income or expense in the profit and loss in the period in which they arise. Dividend income or expense on the trading portfolio is recognised in the profit and loss as net trading income or expense.

The Company uses trade date accounting when recording regular way purchases and sales of trading portfolio financial assets. At the date the purchase transaction is entered into (trade date), the Company recognises the resulting financial asset and any subsequent unrealised profits or losses arising from revaluing that contract to fair value is recognised in the profit and loss account. When the Company becomes party to a sale contract of a financial asset, and the derecognition criteria are met, it derecognises the asset and recognises a trade receivable from trade date until settlement date.

vii) Investments and other financial assets

With the exception of trading portfolio assets which are classified separately on the balance sheet, the remaining investments and other financial assets are classified into the following categories: loans and receivables and investment securities available for sale. The classification depends on the purpose for which the financial asset was acquired, which is determined at initial recognition and, except for other financial assets at fair value through profit or loss, is re-evaluated at each balance date.

Loans and receivables

This category includes loan assets held at amortised cost and amounts due from related entities, which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Current asset investments

Investment securities available for sale comprise securities that are not actively traded and are intended to be held for an indefinite period. Such securities are available for sale and may be sold should the need arise, including purposes of liquidity, or due to the impacts of changes in interest rates, foreign exchange rates or equity prices.

Investment securities available for sale are initially carried at fair value plus transaction costs. Gain and loss arising from subsequent changes in fair value are recognised directly in the available for sale reserve in equity, until the asset is derecognised or impaired, at which time the cumulative gain or loss is recognised in the profit and loss. Fair values of quoted investments in active markets are based on current bid prices.

If the relevant market is not considered active (or the securities are unlisted), fair value is established by valuation techniques, including recent arm's length transactions, discounted cash flow analysis, and other valuation techniques commonly used by market participants.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2017

Note 2. Summary of significant accounting policies (continued)

viii) Impairment

Loans and receivables

Loans and receivables are subject to regular review and assessment for possible impairment. Provisions for impairment on loan assets are recognised based on an incurred loss model and re-assessed at each balance sheet date. Provisions for impairment are recognised in the profit and loss account and re-assessed at each reporting date. Individually assessed provisions for impairment are recognized where impairment of individual loans and receivables are identified. If, in a subsequent period, the amount of impairment losses decrease and the decrease can be related objectively to an event occurring after the impairment losses were recognised, the previously recognised impairment losses are reversed through the profit and loss account to the extent of the impairment earlier recognised. Bad debts are written off in the period in which they are identified.

Current asset investments

The Company performs an assessment at each balance sheet date to determine whether there is any objective evidence that available for sale securities have been impaired. Impairment exists if there is objective evidence of impairment as a result of one or more events (loss event) which have an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

For equity securities classified as available for sale, the main indicators of impairment are: significant changes in the market, economic or legal environment; and a significant or prolonged decline in fair value below cost. In making this judgement, the Company evaluates among other factors, the normal volatility in share price and the period of time for which fair value has been below cost.

In addition, impairment may be appropriate when there is evidence of deterioration in the financial condition of the investee, industry and sector performance, operational and financing cash flows or changes in technology.

When the fair value of an available for sale financial asset is less than its initial carrying amount and there is objective evidence that the asset is impaired, the cumulative loss recognised directly in reserves is removed from equity and recognised in the profit and loss account.

Impairment losses recognised in the profit and loss account for equity securities classified as available for sale are not subsequently reversed through the profit and loss account.

ix) Tangible assets

Tangible assets are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Tangible assets are reviewed for impairment at each reporting date. Historical cost includes expenditure directly attributable to the acquisition of the asset.

Depreciation on all assets is calculated on a straight-line basis to allocate the difference between their cost and their residual values over their estimated useful lives, at the following rates:

Furniture and fittings	10 to 20 per cent
Leasehold improvements *	20 per cent
Communication equipment	33 per cent
Computer equipment	33 to 50 per cent

* Where remaining lease terms are less than five years, leasehold improvements are depreciated over the remaining lease term.

Useful lives and residual values are reviewed annually and reassessed in light of commercial and technological developments. If an asset's carrying value is greater than its recoverable amount, the carrying amount is written down immediately to its recoverable amount. Adjustments arising from such items and on disposal are recognised in the profit and loss.

Gain and loss on disposal are determined by comparing proceeds with the asset's carrying amount and are recognised in the profit and loss.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2017

Note 2. Summary of significant accounting policies (continued)

x) Provisions

Employee benefits

A liability for employee benefits is recognised by the entity that has the obligation to the employee. Generally, this is consistent with the legal position of the parties to the employment contract.

Liabilities for unpaid salaries, salary related costs and provisions for annual leave are recorded in the balance sheet at the salary rates which are expected to be paid when the liability is settled. Provisions for other long-term benefits are recognised at the present value of expected future payments to be made.

In determining this amount, consideration is given to expected future salary levels and employee service histories. Expected future payments are discounted to their net present value using discount rates on high quality corporate bonds. Such discount rates have terms that match as closely as possible the expected future cash flows.

Provisions for unpaid employee benefits are derecognised when the benefit is settled, or is transferred to another entity and the Company is legally released from the obligation and does not retain a constructive obligation.

xi) Performance based remuneration

Share based payments

The ultimate parent company, MGL, operates share-based compensation plans, which include awards (including those delivered through the Macquarie Group Employee Retained Equity Plan ("MEREP")) granted to employees under share acquisition plans. Information relating to these schemes is set out in Note 20 – Employee equity participation. The Company recognises an expense and a corresponding increase in equity in case of equity settled awards or a corresponding increase in liability in case of cash settled awards granted to employees. The awards are measured at the grant dates based on their fair value and using the number of equity instruments expected to vest. This amount is recognised as an expense over the respective vesting periods.

Profit share remuneration

The Company recognises a liability and an expense for profit share remuneration to be paid in cash.

xii) Cash at bank and in hand

Cash at bank comprises cash balances with qualifying financial institutions. Cash in hand comprises petty cash held in branch or representative offices. Deposits are repayable on demand if they can be withdrawn at any time without notice and without penalty or if a maturity or period of notice of not more than 24 hours or one working day has been agreed.

xiii) Leases

Leases entered into by the Company as lessee are primarily operating leases. The total fixed payments made under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

xiv) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported on the balance sheet when there is a legally enforceable right to offset the amounts and either there is an intention to settle on a net basis, or realise the financial asset and settle the financial liability simultaneously.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2017

Note 2. Summary of significant accounting policies (continued)

xv) Defined benefit pension plan

Pension plan assets and obligations recognised in the balance sheet represent the net present value of the defined benefit obligation and the fair value of the plan assets at the balance sheet date. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting estimated future cash flows using yields on high quality corporate bonds which have terms to maturity approximating the terms of the related liability.

The determination of the pension cost and defined benefit obligation of the Company's defined benefit pension plans depends on certain assumptions, which include the discount rate, inflation rate, salary growth, longevity and expected return on plan assets.

Actuarial gains and losses arising from the difference between actual and expected returns on plan assets, experience adjustments on liabilities and changes in actuarial assumptions are recognised in the statement of comprehensive income for the year.

xvi) Called up share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

xvii) Comparatives

Where necessary, comparative information has been reclassified to conform with changes in presentation in the current year.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2017

	2017 £	2016 £
Note 3. Loss on ordinary activities before taxation		
Loss on ordinary activities before taxation is stated after charging/(crediting):		
Wages and salaries	3,474,580	3,385,713
Social security costs	11,302	10,286
Resourcing charge from Macquarie Group undertakings	21,036,183	18,509,444
Other pension costs/(credits)	59,470	(76,495)
Share based payment costs	93,792	165,262
Staff costs	24,675,327	21,994,210
Foreign exchange gains	(262,976)	(523,081)
Fee allocations to other Macquarie Group undertakings	88,020,088	48,393,777
Internal fee and management fee expenses	17,456,412	13,806,810
Brokerage expenses	11,721,047	13,154,639
Depreciation charges	129,732	73,775
Rent and occupancy costs	2,480,144	2,607,095
Auditors' remuneration		
Fees payable to the Company's auditors for the audit of the Company	157,260	125,710
Fees payable to the Company's auditors and its associates for other assurance services	86,000	67,166
Turnover from principal activities:		
Advisory fee income	90,411,854	50,005,890
Brokerage commission income	40,425,594	33,656,905
Equities research income	7,495,088	6,559,758
Underwriting income	8,619,025	4,465,209

Note 4. Employee Information

The average number of persons employed by the Company during the year calculated on a monthly basis was:

	Number of employees 2017	Number of employees 2016
By activity:		
Advisory and sales	9	14
Administration and support services	1	1
Total employees	10	15

The figures above include persons employed by the Company and seconded to other entities within the Macquarie Group.

Note 5. Interest receivable and similar income

Interest receivable from other Macquarie Group undertakings	1,230,505	1,415,701
Interest receivable from unrelated parties	2	36,193
Total interest receivable and similar income	1,230,507	1,451,894

Note 6. Interest payable and similar charges

Interest payable to other Macquarie Group undertakings	1,610,810	2,446,564
Interest payable to unrelated parties	513,850	187,902
Total interest payable and similar charges	2,124,660	2,634,466

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2017

	2017 £	2016 £
Note 7. Taxation		
(i) Tax expense included in loss		
Current tax		
UK corporation tax at 20% (2016: 20%)	4,607,239	4,547,876
Adjustments in respect of prior years	640,962	(800,084)
Foreign tax suffered	(37,109)	(72,106)
Total current tax	5,211,092	3,675,686
Deferred tax		
Origination and reversal of temporary differences	(37,256)	(203,805)
Adjustments in respect of prior years	(305,033)	340,423
Effect of changes in tax rates	(244,628)	610,796
Total deferred tax	(586,917)	747,414
Tax on loss on ordinary activities	4,624,175	4,423,100

(ii) Reconciliation of effective tax rate

The income tax credit for the year is higher (2016: higher) than the standard rate of corporation tax in the UK of 20% (2016: 20%). The differences are explained below:

Loss before income tax	17,756,472	21,017,914
Loss on ordinary activities before taxation multiplied by standard rate of corporation tax charge at 20% (2016: 20%)	3,551,295	4,203,583
Effects of:		
Adjustments in respect of prior years	335,929	(459,661)
Non-deductible expenses	(305,468)	(304,999)
Foreign tax suffered	(37,109)	(72,106)
Deduction for foreign tax suffered	7,422	6,218
Bank surcharge	1,316,734	439,269
Effect of changes in tax rates	(244,628)	610,796
Total tax on loss on ordinary activities	4,624,175	4,423,100

The UK Government have enacted a reduction in the main rate of corporation tax from 20% to 19% from 1 April 2017 and a further reduction to 17% from 1 April 2020. The current rate for the bank surcharge is 8%. Deferred tax has been recognised at the tax rate it is expected to unwind.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2017

	2017 £	2016 £
Note 7. Taxation (continued)		
(iii) Deferred tax comprising timing differences attributable to:		
Deferred tax assets		
Other assets and liabilities	391,442	575,865
Fixed assets	1,880,422	2,367,886
Total deferred tax assets	2,271,864	2,943,751
(iv) Reconciliation of the Company's movement in deferred tax		
Balance at the beginning of the financial year	2,943,751	2,270,413
Timing differences:		
Deferred tax charged to profit and loss for the year	(37,256)	(203,804)
Effect of changes in tax rates	(256,493)	610,796
Deferred tax charged to equity	(104,643)	(142,608)
Change in tax relating to reserves	31,538	68,531
Adjustments in respect of prior years	(305,033)	340,423
Balance at the end of the financial year	2,271,864	2,943,751

Note 8. Tangible assets

Furniture, fittings and leasehold improvements		
Cost	647,996	587,047
Less accumulated depreciation	(504,175)	(440,874)
Total furniture, fittings and leasehold improvements	143,821	146,173
Communication equipment		
Cost	10,638	10,638
Less accumulated depreciation	(10,638)	(10,638)
Total communication equipment	-	-
Computer equipment		
Cost	3,497,095	3,901,698
Less accumulated depreciation	(3,461,612)	(3,820,501)
Total computer equipment	35,483	81,197
Total tangible assets	179,304	227,370

Reconciliation of the movement in the Company's tangible assets at their written down value:

	Furniture, fittings and leasehold improvements £	Communication equipment £	Computer equipment £	Total £
Balance at 31 March 2016	146,173	-	81,197	227,370
Acquisitions	57,533	-	16,818	74,351
Disposals	-	-	(992)	(992)
Foreign exchange movements	6,126	-	2,181	8,307
Depreciation expense (note 3)	(66,011)	-	(63,721)	(129,732)
Balance at 31 March 2017	143,821	-	35,483	179,304

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2017

	2017 £	2016 £
Note 9. Debtors		
Brokerage trade debtors ¹	820,793,321	260,801,285
Amounts owed by other Macquarie Group undertakings ²	8,533,369	30,527,757
Fees and other receivables ³	15,491,279	9,889,099
Other trade debtors	767,851	907,756
VAT recoverable	-	732,425
Taxation	15,121,425	8,260,945
Prepayments and accrued income	354,301	724,502
Total debtors	861,061,546	311,843,769

¹Brokerage trade debtor balances are generally receivable within two working days of the relevant trade date.

²Amounts owed by other Macquarie Group undertakings are unsecured and have no fixed date of repayment. The Company derives interest on intercompany loans to group undertakings at market rates and at 31 March 2017 the rate applied ranged between LIBOR plus 1.39% and LIBOR plus 3.02% (2016: between LIBOR plus 1.32% and LIBOR plus 3.41%).

³Fees and other receivables are stated after provisions for impairment of £291,112 (2016: £27,832).

Reconciliation of provision for impairment of fees and other receivables:

Balance at the beginning of the financial year	27,832	-
Specific provisions made during the year	516,692	24,707
Specific provisions released during the year	(30,217)	-
Foreign exchange movements	(223,195)	3,125
Balance at the end of the financial year	291,112	27,832

Note 10. Current asset investments

Trading portfolio assets ¹ :		
Listed equity securities	913,328	263,059
Available for sale securities ² :		
Equity securities	500,000	500,000
Total current asset investments	1,413,328	763,059

¹Trading portfolio assets represent equity securities that the Company holds as part of market maker activities.

²Available for sale investments represent investments in Firstextile AG and Rockrose Energy Plc. As at 31 March 2017, the Company holds 226,814 shares (2016: 226,814 shares) in Firstextile AG and 999,998 shares (2016: 999,998 shares) in Rockrose Energy Plc. As at 31 March 2017 and 2016, the investment in Firstextile AG has been fully impaired.

Note 11. Cash at bank and in hand

Cash at bank	3,177,523	3,443,410
Cash in hand	257	234
Total cash at bank and in hand	3,177,780	3,443,644

Note 12. Trading portfolio liabilities

Listed equity securities	48,142	214,844
Total trading portfolio liabilities	48,142	214,844

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2017

	2017 £	2016 £
Note 13. Creditors: amounts falling due within one year		
Due to brokers and customers ¹	355,239,972	236,183,350
Amounts owed to other Macquarie Group undertakings ²	452,170,022	21,167,207
Trade creditors	14,727,715	4,012,130
Other creditors	1,110,885	631,483
Total creditors	823,248,594	261,994,170

¹ Amounts due to brokers and customers are payable within two working days of the relevant trade date.

² Amounts owed to other Macquarie Group undertakings are unsecured and have no fixed date of repayment. The Company incurs interest on amounts owed to other Macquarie Group undertakings at market rates and at 31 March 2017 the rate applied was LIBOR plus 2.46% (2016: LIBOR plus 2.65%).

Note 14. Provisions for liabilities

Provision for employee entitlements	1,256,948	1,098,586
Total provisions	1,256,948	1,098,586

Reconciliation of provisions:

Balance at the beginning of the financial year	1,098,586	1,356,028
Provisions made during the year	792,241	928,663
Provisions used during the year	(947,598)	(1,286,182)
Transfers from other Macquarie Group undertakings	303,823	29,666
Foreign exchange movements	9,896	70,411
Balance at the end of the financial year	1,256,948	1,098,586

Maturity profile of provision for employee benefits:

Within 1 year	1,215,913	1,027,959
Between 1 and 2 years	41,035	34,496
Between 2 and 5 years	-	36,131
Balance at the end of the financial year	1,256,948	1,098,586

Pension commitments

The most recent actuarial valuations of the Company's defined benefit pension plan was as at 31 March 2017. The valuation of the plan used the projected unit credit actuarial cost method and was carried out by actuaries of Mercer Limited. The principal assumptions for the plan made by the actuaries were as follows:

	2017 %	2016 %
Discount rates	1.12	1.15
Rate of increase in salaries	1.41	1.38
Inflation assumptions	1.41	1.38

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2017

Note 14. Provisions for liabilities (continued)

The mortality assumptions used in the valuation of the defined benefit pension liabilities of the Swiss and German plans at 31 March 2017 are summarised in the table below. These are based on the BVG 2010 actuarial tables for the Swiss plan and the Heubech RT 2005 G actuarial tables for the German plans.

	Switzerland 2017	Switzerland 2016	Germany 2017	Germany 2016
Longevity at age 65 – current				
Men	22.38	24.55	19.13	21.03
Women	24.43	26.58	23.19	21.03
Longevity at age 65 – future				
Men	24.62	22.26	22.40	24.23
Women	26.64	24.32	26.30	24.23

Plan assets and rates of return were as follows:

	Long-term rate of return expected 31 March 2017 %	Value at 31 March 2017 £	Long-term rate of return expected 31 March 2016 %	Value at 31 March 2016 £
Cash	-0.5	564,113	0	556,257
Equity	5.4	436,620	5.8	157,747
Debt Securities	0.9	1,930,851	0.5	1,945,738
Real Estate	4.0	-	3.8	220,914
Total market value of assets		2,931,584		2,880,656
Present value of plan liabilities		(4,593,405)		(4,713,824)
Net deficit of the plan		(1,661,821)		(1,833,168)
Related deferred tax		482,729		476,624
Net pension plan liability		(1,179,092)		(1,356,544)

Reconciliation of present value of scheme liabilities:

Balance at the beginning of the financial year	4,713,824	4,641,539
Current service cost	158,677	161,478
Past service cost	(121,564)	(236,712)
Interest cost	56,606	52,087
Contributions by plan participants	27,342	30,276
Foreign currency exchange rate movements	411,383	281,063
Premiums paid	(22,424)	(27,750)
Benefits paid from the plan	-	(61)
Actuarial (gain)/loss	(313,818)	(188,096)
Settlements	(316,621)	-
Balance at the end of the financial year	4,593,405	4,713,824

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2017

Note 14. Provisions for liabilities (continued)

	2017 £	2016 £
Reconciliation of fair value of scheme assets:		
Balance at the beginning of the financial year	2,880,656	2,619,267
Expected return on scheme assets	34,249	29,733
Actuarial (losses)/gains	6,439	(21,041)
Foreign currency exchange rate movements	256,773	172,638
Premiums paid	(22,424)	(27,750)
Contributions paid by participants	27,342	30,276
Benefits paid from the plan	-	(60)
Contributions paid by employer	65,170	77,593
Settlements	(316,621)	-
Balance at the end of the financial year	2,931,584	2,880,656

The expected return on scheme assets is determined by considering the expected returns available on the assets based on the current investment policy.

The actual return on the scheme assets in the year was £40,688 (2016: £8,692).

It is estimated that in the year to 31 March 2018, the Company will make additional contributions to scheme of £73,225.

Amounts recognised in the profit or loss account are as follows:

Current service cost	158,677	138,836
Past service cost	(121,564)	(236,712)
Expected return on pension scheme assets	(34,249)	(29,733)
Interest on pension scheme liabilities	56,606	51,114
Total charge	59,470	(76,495)

The current service cost is included within administration expense category in the profit or loss statement.

Experience adjustments in plan assets	(6,439)	(21,041)
Experience adjustments in plan liabilities	(313,818)	25,624
Total actuarial (loss)/gain recognised in statement of comprehensive income	(320,257)	4,583

Note 15. Called up share capital and reserves

	2017 Number of shares	2016 Number of shares	2017 £	2016 £
Called up share capital				
Opening balance of fully paid ordinary shares	151,601,000	105,901,000	151,601,000	105,901,000
Issue of 20,700,000 ordinary shares on 21 July 2015 at £1 per share	-	20,700,000	-	20,700,000
Issue of 25,000,000 ordinary shares on 4 January 2016 at £1 per share	-	25,000,000	-	25,000,000
Closing balance of fully paid ordinary shares	151,601,000	151,601,000	151,601,000	151,601,000
Share premium account				
Opening balance of share premium			4,999,000	4,999,000
Closing balance of share premium account			4,999,000	4,999,000
Equity contribution from parent entity				
Opening balance of equity contribution from parent entity			1,842,967	1,858,578
Additional equity contribution from parent entity as a result of deferred tax on share based payments			103,893	(15,611)
Total equity contribution from parent entity			1,946,860	1,842,967

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2017

	2017 £	2016 £
Note 16. Other reserves and profit and loss account		
Other Reserves		
Foreign currency translation reserve		
Balance at the beginning of the financial year	(161,570)	(383,400)
Exchange differences arising during the financial year	483,890	221,830
Balance at the end of the financial year	322,320	(161,570)
Exchange differences arising from the translation of the Company's foreign branches, which have functional currencies other than sterling, are recognised within reserves.		
Retirement benefit reserve		
Balance at the beginning of the financial year	(742,981)	(1,278,053)
Actuarial (loss)/gain on pension schemes	(320,257)	4,583
Deferred tax associated with actuarial (loss)/gain	672,263	530,489
Balance at the end of the financial year	(390,975)	(742,981)
Total other reserves	(68,655)	(904,551)
Profit and loss account		
Balance at the beginning of the financial year	(103,457,591)	(86,862,777)
Loss attributable to ordinary equity holders of the Company	(13,132,297)	(16,594,814)
Balance at the end of the financial year	(116,589,888)	(103,457,591)
Total profit and loss account	(116,589,888)	(103,457,591)

Note 17. Capital management strategy

The Company's capital management strategy is to maximise shareholder value through optimising the level and use of capital resources, whilst also providing the flexibility to take advantage of opportunities as they may arise.

The Company's capital management objectives are to:

- ensure sufficient capital resource to support the Company's business and operational requirements;
- safeguard the Company's ability to continue as a going concern.

Periodic reviews of the entity's capital requirements are performed to ensure the Company is meeting its objectives.

Capital is defined as share capital plus reserves, including profit and loss account.

The Company is authorised by the Financial Conduct Authority ("FCA") to undertake investment business activities. The Company has satisfied its FCA imposed capital requirements throughout the year.

During the current and prior years, the Company has continued to meet its capital requirements under the FCA requirements and no breaches have occurred. For further information related to capital management and FCA Pillar 3 disclosure requirements, refer to the documents made available on the Company's UK website (Note 27).

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2017

Note 18. Related party information

As 100% of the voting rights of the Company are controlled within the group headed by MGL, incorporated in Australia, the Company has taken advantage of the exemption contained in FRS 101 and has therefore not disclosed transactions or balances with entities which form part of the Macquarie Group. The consolidated financial statements of MGL, within which the Company is included, can be obtained from the address given in Note 26.

The Company does not have any related party transactions or balances other than those with entities which form part of the Macquarie Group as mentioned above.

Note 19. Directors' remuneration

During the financial years ended 31 March 2017 and 31 March 2016, all Directors were employed by and received all emoluments from other Macquarie Group undertakings. The Directors perform directors' duties for multiple entities in the Macquarie Group, as well as their employment duties within Macquarie Group businesses. Consequently, allocating their employment compensation accurately across all these duties would not be feasible. Accordingly, no separate remuneration has been disclosed.

Note 20. Employee equity participation

Macquarie Group Employee Retained Equity Plan

MGL continues to operate the MEREP in conjunction with remuneration arrangements. During the financial year, MGL made changes to align the buying and selling of Macquarie shares in relation to the MEREP. MGL may elect to implement a similar arrangement in future periods.

Award Types under the MEREP

Restricted Share Units ("RSUs")

A RSU is a beneficial interest in a MGL ordinary share held on behalf of a MEREP participant by the plan trustee ("Trustee"). The participant is entitled to receive dividends on the share and direct the Trustee how to exercise voting rights of the share. The participant also has the right to request the release of the share from the Trust, subject to the vesting and forfeiture provisions of the MEREP.

Deferred Share Units ("DSUs")

A DSU represents the right to receive on exercise of the DSU either a share held in the Trust or a newly issued share (as determined by MGL in its absolute discretion) for no cash payment, subject to the vesting and forfeiture provisions of the MEREP. A MEREP participant holding a DSU has no right or interest in any share until the DSU is exercised. MGL may issue shares to the Trustee or direct the Trustee to acquire shares on-market, or via a share acquisition arrangement for potential future allocations to holders of DSUs. Generally DSUs will provide for cash payments in lieu of dividends paid on MGL ordinary shares before the DSU is exercised. Further, the number of shares underlying a DSU will be adjusted upon any bonus issue or other capital reconstruction of MGL in accordance with the ASX Listing Rules, so that the holder of a DSU does not receive a benefit that holders of MGL shares do not generally receive. These provisions are intended to provide the holders of DSUs, as far as possible, with the same benefits and risks as holders of RSUs. DSUs have been granted with an expiry period of eight years.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2017

Note 20. Employee equity participation (continued)

The weighted average fair value of the DSU awards granted during the financial year was AUD \$72.72 (2016: AUD \$81.70). The awards are measured at their grant dates based on their fair value. This amount is recognised as an expense evenly over the respective vesting periods and the equity provided is treated as a prepaid asset where MGL is reimbursed in advance. RSUs and DSUs have been granted in the current year in respect of 2016. The fair value of each of these grants is estimated using Macquarie's share price on the date of grant.

While DSUs for FY2017 will be granted during FY2018, Macquarie begins recognising an expense for these awards (based on an initial estimate) from 1 April 2016. The expense is estimated using the price of MGL ordinary shares as at 31 March 2017 and the number of equity instruments expected to vest. In the following financial year, Macquarie will adjust the accumulated expense recognised for the final determination of fair value for each RSU and DSU when granted and will use this validation for recognising the expense over the remaining vesting period.

Macquarie annually revises its estimates of the number of awards (including those delivered through MEREP) that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity within MGL's consolidated accounts.

For the financial year ended 31 March 2017, compensation expense relating to the MEREP totalled £93,792 (2016: £165,262).

Participation in the MEREP is currently provided to the following eligible employees:

- staff other than Executive Directors with retained profit share above a threshold amount ("Retained Profit Share Awards") and staff who were promoted to Associate Director, Division Director or Executive Director, who received a fixed Australian dollar value allocation of MEREP awards ("Promotion Awards"); and
- new Macquarie Group staff who commence at Associate Director, Division Director or Executive Director level and are awarded a fixed Australian dollar value, depending on level ("New Hire Awards").

Vesting periods are as follows:

Award type	Level	Vesting
Retained Profit Share Awards and Promotion Awards	Below Executive Director	1/3rd in the 2nd, 3rd and 4th year following the year of grant ¹
New Hire Awards	All Director-level staff	1/3rd on each first day of a staff trading window, on or after the 2nd, 3rd and 4th anniversaries of the date of allocation

¹ Vesting will occur during an eligible staff trading window.

In limited cases, the application form for awards may set out a different vesting period, in which case that period will be the vesting period for the award. For example, staff in jurisdictions outside Australia may have a different vesting period due to local regulatory requirements.

For Retained Profit Share Awards representing 2016 retention, the allocation price was the weighted average price of the shares acquired for the 2016 purchase period, which was 17 May 2016 to 17 June 2016 inclusive. That price was calculated to be AU\$71.55 (2015 retention: AU\$80.68).

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2017

Note 21. Contingent liabilities and commitments

The Company has no commitments or contingent liabilities which are individually material or a category of commitments or contingent liabilities which are material.

Note 22. Lease commitments

	2017	2016
	£	£
Non-cancellable operating leases expiring:		
Not later than one year	586,696	550,325
Later than one year and not later than five years	1,051,830	1,452,760
Total operating lease commitments	1,638,526	2,003,085

Operating leases relate to leases over land and buildings. The future lease commitments disclosed are net of any rental incentives received.

Note 23. Financial risk management

Risk Management Group

Risk is an integral part of the Macquarie Group's ("the Group") businesses. The main risks faced by the Group are market risk, equity risk, credit risk, liquidity risk, interest rate risk, foreign exchange risk, operational risk, legal risk and compliance risk. Responsibility for management of these risks lies with the individual businesses giving rise to them. It is the responsibility of RMG to ensure appropriate assessment and management of these risks.

RMG is independent of all other areas of the Macquarie Group. The Head of RMG, as Macquarie's chief Risk Officer ("CRO"), is a member of the Executive Committee of MGL and MBL and reports directly to the Chief Executive Officer with a secondary reporting line to the Board Risk Committee. RMG authority is required for all material risk acceptance decisions. RMG identifies, quantifies and assesses all material risks and sets prudential limits. Where appropriate, these limits are approved by the Executive Committee and the Board.

The risks which the Company are exposed to are managed on a globally consolidated basis for MGL as a whole, including all subsidiaries, in all locations. Macquarie's internal approach to risk ensures that risks in subsidiaries are subject to the same rigour and risk acceptance decisions (i.e. not differentiating where the risk is taken within Macquarie).

23.1 Credit risk

Credit risk is defined as the risk of a counterparty failing to complete its contractual obligations when they fall due. The consequent loss is either the amount of the loan not repaid or the loss incurred in replicating a trading contract with a new counterparty.

Analysis and limit approval

The responsibility for approval of credit exposures is delegated to specific individuals by the Board or CRO. Credit risk analysis is focused on ensuring that risks have been fully identified and that the downside risk is properly understood and acceptable. After this analysis is undertaken, limits are set for an acceptable level of potential exposure. All wholesale limits and ratings are reviewed at least once a year, or more frequently if required. Retail credit exposures are monitored on a portfolio basis.

All credit exposures are monitored regularly against limits. Credit exposures for loans are evaluated as either the full current face value or, for distressed debt, the acquisition cost when acquired in the secondary market.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2017

Note 23. Financial risk management (continued)

Ratings and reviews

All wholesale exposures are allocated to a Macquarie rating on a scale that broadly corresponds to Standard & Poor's and Moody's Investor Services credit ratings. Each Macquarie rating maps to a Probability of Default estimate. All wholesale counterparties and certain individual facilities are assigned a Loss Given Default estimate reflecting the estimated economic loss in the event of default occurring.

Macquarie wholesale ratings broadly correspond to Standard & Poor's credit ratings as follows:

Credit Grading	Internal Rating	External Equivalent
Investment Grade	MQ1 to MQ8	AAA to BBB-
Below Investment Grade	MQ9 to MQ16	BB+ to C
Default ¹	MQ99	Default

¹ The default category primarily correlates to the past due more than 90 days not impaired and individually impaired balances disclosed in the following pages.

All loan assets are subject to recurring review and assessment for possible impairment. Where there is a deteriorating credit risk profile, the exposures are monitored on a monthly basis through the CreditWatch reports. The business remains responsible for the management of the counterparty and of the risk position, but RMG oversight is increased to ensure that positions are managed for optimal outcomes. When counterparties default, RMG and the business work together to resolve the issues and ensure provisioning is adequate.

Portfolio and country risk

A review of the credit portfolio that involves monitoring credit concentrations by counterparty, country, risk type, industry and credit quality is carried out quarterly and reported to the Board of MGL semi annually. Policies are in place to regulate large exposures to single counterparties or groups of counterparties.

Credit risk within the Company is managed on a group basis by RMG.

The balances disclosed in the credit risk tables below exclude financial assets that are subject to risks other than credit risk, such as investments and tax balances.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2017

Note 23. Financial risk management (continued)

Maximum exposure to credit risk

The table below details the concentration of maximum exposure to credit risk of the Company's assets by significant geographical locations and counterparty types. The maximum credit exposure is to each counterparty and does not take into consideration collateral or other credit enhancements. The geographical location is determined by the domicile and industry type of the counterparty.

As at 31 March 2017	Cash at bank and in hand £	Brokerage trade debtors £	Amounts owed by other Macquarie Group undertakings £	Fees and other receivables £	Other debtors £	Total £
Australia						
Financial institutions	-	1,617,235	50	-	-	1,617,285
Other	-	144,681	90,548	7,503,040	-	7,738,269
Total Australia	-	1,761,916	90,598	7,503,040	-	9,355,554
Americas						
Financial institutions	-	2,262,488	-	-	-	2,262,488
Other	-	-	3,692,958	-	-	3,692,958
Total Americas	-	2,262,488	3,692,958	-	-	5,955,446
Asia Pacific						
Governments	-	4,463,116	-	-	-	4,463,116
Financial institutions	-	4,435,398	-	-	-	4,435,398
Other	-	-	2,786,912	833,588	-	3,620,500
Total Asia Pacific	-	8,898,514	2,786,912	833,588	-	12,519,014
Europe, Middle East & Africa						
Governments	-	30,469	-	-	-	30,469
Financial institutions	3,177,523	803,819,287	-	5,254,580	767,851	813,019,241
Other	257	4,020,647	1,962,901	1,900,071	-	7,883,876
Total Europe, Middle East & Africa	3,177,780	807,870,403	1,962,901	7,154,651	767,851	820,933,586
Total gross credit risk	3,177,780	820,793,321	8,533,369	15,491,279	767,851	848,763,600

Excludes non-financial assets totalling £19.2 million.

As at 31 March 2016	Cash at bank and in hand £	Brokerage trade debtors £	Amounts owed by other Macquarie Group undertakings £	Fees and other receivables £	Other trade debtors £	Total £
Australia						
Financial institutions	-	184,554	-	-	-	184,554
Other	-	-	5,119,058	9,882,444	-	15,001,502
Total Australia	-	184,554	5,119,058	9,882,444	-	15,186,056
Americas						
Financial institutions	-	680,279	-	-	-	680,279
Other	-	-	24,708,690	-	-	24,708,690
Total Americas	-	680,279	24,708,690	-	-	25,388,969
Asia Pacific						
Governments	-	81,847	-	-	-	81,847
Financial institutions	-	111,717	-	-	-	111,717
Other	-	-	366,393	-	-	366,393
Total Asia Pacific	-	193,564	366,393	-	-	559,957
Europe, Middle East & Africa						
Financial institutions	3,443,410	255,300,590	333,616	-	907,756	259,985,372
Other	234	4,442,298	-	6,655	295,920	4,745,107
Total Europe, Middle East & Africa	3,443,644	259,742,888	333,616	6,655	1,203,676	264,730,479
Total gross credit risk	3,443,644	260,801,285	30,527,757	9,889,099	1,203,676	305,865,461

Excludes non-financial assets of £13.4 million.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2017

Note 23. Financial risk management (continued)

Credit quality of financial assets

The table below details the credit quality of the Company's financial assets for the maximum exposure to credit risk. The credit quality is based on the individual counterparty's credit rating and industry type using the Company's credit rating system.

Credit quality - 2017

	Neither past due nor impaired			Past due or individually impaired	Total
	Investment Grade	Below Investment Grade	Unrated		
	£	£	£	£	£
Cash at bank and in hand					
Financial institutions	3,177,523	-	-	-	3,177,523
Other	257	-	-	-	257
Brokerage trade debtors					
Financial institutions	746,146,099	62,094,907	3,893,401	-	812,134,407
Governments	4,463,116	-	30,470	-	4,493,586
Other	60,272	3,714,104	390,952	-	4,165,328
Amounts owed by other Macquarie Group undertakings					
Financial institutions	50	-	-	-	50
Other	-	-	8,533,319	-	8,533,319
Fees and other receivables					
Financial institutions	157,365	-	5,097,215	-	5,254,580
Other	-	400,000	9,023,310	813,389	10,236,699
Other debtors					
Financial institutions	248,858	-	518,993	-	767,851
Total	754,253,540	66,209,011	27,487,660	813,389	848,763,600

Included in the past due category are balances which were overdue by 30 days or more.

Credit quality - 2016

	Neither past due nor impaired			Past due or individually impaired	Total
	Investment Grade	Below Investment Grade	Unrated		
	£	£	£	£	£
Cash at bank and in hand					
Financial institutions	3,443,410	-	-	-	3,443,410
Other	234	-	-	-	234
Brokerage trade debtors					
Financial institutions	177,355,163	78,921,977	-	-	256,277,140
Governments	81,847	-	-	-	81,847
Other	581,075	3,861,223	-	-	4,442,298
Amounts owed by other Macquarie Group undertakings					
Other	-	-	30,527,757	-	30,527,757
Fees and other receivables					
Other	-	9,181,402	-	707,697	9,889,099
Other debtors					
Financial institutions	907,756	-	-	-	907,756
Other	-	295,920	-	-	295,920
Total	182,369,485	92,260,522	30,527,757	707,697	305,865,461

Included in the past due category are balances which were overdue by 30 days or more.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2017

Note 23. Financial risk management (continued)

Ageing analysis of assets past due but not impaired and impaired assets

2017	Past due but not impaired				Impaired	Total
	Less than 30 days	31 to 60 days	61 to 90 days	More than 90 days		
Class of Financial Asset	£	£	£	£	£	£
Fees and other receivables						
Other	-	15,286	239,649	267,342	291,112	813,389
Total	-	15,286	239,649	267,342	291,112	813,389

2016	Past due but not impaired				Impaired	Total
	Less than 30 days	31 to 60 days	61 to 90 days	More than 90 days		
Class of Financial Asset	£	£	£	£	£	£
Fees and other receivables						
Other	-	258,248	161,899	214,464	73,086	707,697
Total	-	258,248	161,899	214,464	73,086	707,697

Fees and other receivables are considered to be past due when a contractual payment falls overdue by one or more days. When fees and other receivables are classified as past due, the entire fee and other receivables balance after provisions is disclosed in the past due analysis.

The factors taken into consideration by the Company when determining an asset to be impaired are set out in Note 2 (viii).

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2017

Note 23. Financial risk management (continued)

23.2 Liquidity risk

Liquidity risk is the risk of an entity encountering difficulty in meeting obligations with financial liabilities.

Liquidity risk within the Company is managed on a group basis by Group Treasury under the oversight from the Asset and Liability Committee, the MGL Board and RMG.

On 29 March 2016, the Company entered into a shares subscription agreement with its parent, MCHPL. This agreement was amended on 30 September 2016. Per the terms of the amended agreement, MCHPL will subscribe for up to 69,700,000 shares as required by a share subscription agreement notice at a subscription price of £1 per share. The latest date on which the Company may issue a share subscription notice under the amended agreement is 31 March 2019.

Contractual undiscounted cash flows

The table below summarises the maturity profile of the Company's financial liabilities as at 31 March based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were given immediately. However, the Company expects that many customers will not request repayment on the earliest date the Company could be required to pay and the table does not reflect the expected cash flows indicated by the Company's deposit retention history.

Trading portfolio liabilities are included in the less than 3 months column at their fair value. Liquidity risk on these items is not managed on the basis of contractual maturity, since they are not held for settlement according to such maturity and will frequently be settled in the short term at fair value.

	On demand £	Less than 3 months £	3 to 12 months £	1 to 5 years £	Over 5 years £	Total £
As at 31 March 2017						
Due to brokers and customers	-	355,239,972	-	-	-	355,239,972
Amounts owed to other Macquarie						
Group undertakings	452,170,022	-	-	-	-	452,170,022
Trading portfolio liabilities	-	48,142	-	-	-	48,142
Trade creditors	4,090,363	10,637,352	-	-	-	14,727,715
Other creditors	-	564,435	-	-	-	564,435
Total undiscounted cash flows	456,260,385	366,489,901	-	-	-	822,750,286

Excludes items that are not financial instruments and non-contractual accruals and provisions.

	On demand £	Less than 3 months £	3 to 12 months £	1 to 5 years £	Over 5 years £	Total £
As at 31 March 2016						
Due to brokers and customers	-	236,183,350	-	-	-	236,183,350
Amounts owed to other Macquarie						
Group undertakings	21,167,207	-	-	-	-	21,167,207
Trading portfolio liabilities	-	214,844	-	-	-	214,844
Trade creditors	-	4,012,130	-	-	-	4,012,130
Other creditors	-	255,369	-	-	-	255,369
Total undiscounted cash flows	21,167,207	240,665,693	-	-	-	261,832,900

Excludes items that are not financial instruments and non-contractual accruals and provisions.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2017

Note 23. Financial risk management (continued)

23.3 Market risk

Market risk is the exposure to adverse changes in the value of Company's financial assets and liabilities from changes in market prices or volatility. The Company is exposed to the following risks in each of the major markets in which it trades:

- interest rates: changes in the level, shape and volatility of yield curves;
- foreign exchange: changes in spot and forward exchange rates and bullion prices and the volatility of exchange rates; and
- correlation of market prices and rates within and across markets.

Market risk of the Company is managed on a globally consolidated basis for Macquarie Group as a whole, including all subsidiaries, in all locations. Macquarie's internal approach to risk (i.e. not differentiating where the risk is taken within Macquarie) ensures that risks in subsidiaries are subject to the same rigor and risk acceptance decisions.

Interest rate risk

The Company also has exposure to non-traded interest rate risk generated by interest bearing receivables and payables.

The table below indicates the Company's exposure to movements in interest rates as at 31 March 2017 and 2016.

	Movement in basis points	2017 Sensitivity of profit before tax £	2016 Sensitivity of profit before tax £
Australian dollar	+50	9,465	(2,566)
Euro	+50	(84,435)	29,414
Great British Pound	+50	(1,984,788)	18,239
Swiss Franc	+50	22,069	45,386
United States dollar	+50	(124,815)	(133,327)
Other currencies	+50	(22,376)	(28,459)
Australian dollar	-50	(9,465)	2,566
Euro	-50	84,435	(29,414)
Great British Pound	-50	1,984,788	(18,239)
Swiss Franc	-50	(22,069)	(45,386)
United States dollar	-50	124,815	133,327
Other currencies	-50	22,376	28,459

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2017

Note 23. Financial risk management (continued)

Foreign currency risk

The Company is exposed to foreign currency risk arising from transactions entered into in its normal course of business. Movement in foreign currency exchange rates will result in gains or losses in the profit & loss due to the revaluation of certain balances.

The table below indicates the sensitivity to movements in the Great British Pound rate against various foreign currencies at 31 March. The Company is active in various currencies, those with the most impact on the sensitivity analysis are the Australian dollar, Euro, and United States dollar as shown below.

	Movement of +10%		Movement of -10%	
	2017	2016	2017	2016
	Sensitivity of profit before tax	Sensitivity of profit before tax	Sensitivity of profit before tax	Sensitivity of profit before tax
	£	£	£	£
Australian dollar	186,147	618,285	(186,147)	(618,285)
Euro	75,291	29,207	(75,291)	(29,207)
Hong Kong dollar	(10,636)	(8,579)	10,636	8,579
Swiss franc	(10,714)	(578)	10,714	578
United States dollar	(80,995)	(1,953)	80,995	1,953
Other currencies	(17,944)	(12,405)	17,944	12,405

Note 24. Fair values of financial assets and liabilities

Fair value reflects the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Quoted prices or rates are used to determine fair value where an active market exists. If the market for a financial instrument is not active, fair values are estimated using present value or other valuation techniques, using inputs based on market conditions prevailing on the measurement date.

The values derived from applying these techniques are affected by the choice of valuation model used and the underlying assumptions made regarding inputs such as timing and amounts of future cash flows, discount rates, credit risk, volatility and correlation.

Financial instruments measured at fair value are categorised in their entirety, in accordance with the levels of the fair value hierarchy as outlined below:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The appropriate level for an instrument is determined on the basis of the lowest level input that is significant to the fair value measurement.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2017

Note 24. Fair values of financial assets and liabilities (continued)

The following methods and significant assumptions have been applied in determining the fair values of financial instruments:

- Trading portfolio assets and liabilities, financial assets and liabilities at fair value through profit or loss and other transactions undertaken for trading purposes are measured at fair value by reference to quoted market prices when available (e.g. listed securities). If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques.

Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated periodically to test that outputs reflect prices from observable current market transactions in the same instrument or other available observable market data. To the extent possible, models use only observable market data (e.g. for OTC derivatives), however management is required to make assumptions for certain inputs that are not supported by prices from observable current market transactions in the same instrument, such as volatility and correlation.

The following methods and significant assumptions have been applied in determining the fair values of financial instruments which are carried at amortised cost:

- the fair values of liquid assets and other instruments maturing within three months are approximate to their carrying amounts. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities;
- the fair values of balances due from/to related entities are approximated by their carrying amount as the balances are generally receivable/payable on demand.

The fair value of all financial assets and liabilities approximates their carrying value at balance sheet date.

As at 31 March 2017 and 2016, the fair values of all financial assets and liabilities are predominantly classified as level 2 in the fair value hierarchy.

Note 25. Offsetting financial assets and financial liabilities

The Company reports financial assets and financial liabilities on a net basis on the balance sheet in accordance with criteria described in Note 2(xiv). The following tables provide information on the impact of offsetting on the balance sheet, as well as amounts covered by enforceable netting arrangements that do not qualify for offsetting in the balance sheet. Enforceable netting arrangements may allow for net settlement of specified contracts with a counterparty only in the event of default or other pre-determined events, such that their potential effects on the Company's financial position in that circumstance is to settle as one arrangement.

	Amounts subject to enforceable netting arrangements ¹			Amounts not subject to enforceable netting arrangements	Balance sheet total
	Subject to offsetting on balance sheet				
	Gross amounts	Amounts offset	Net amounts presented		
2017	£	£	£	£	£
Amounts owed by other Macquarie Group undertakings	420,401,204	(411,867,835)	8,533,369	-	8,533,369
Total assets	420,401,204	(411,867,835)	8,533,369	-	8,533,369
Amounts owed to other Macquarie Group undertakings	(864,037,857)	411,867,835	(452,170,022)	-	(452,170,022)
Total liabilities	(864,037,857)	411,867,835	(452,170,022)	-	(452,170,022)

¹There are no amounts not offset related to cash and other financial collateral or other recognised financial instruments.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2017

Note 25. Offsetting financial assets and financial liabilities (continued)

	Amounts subject to enforceable netting arrangements ¹ Subject to offsetting on balance sheet			Amounts not subject to enforceable netting arrangements	Balance sheet total
	Gross amounts £	Amounts offset £	Net amounts presented £		
2016					
Amounts owed by other Macquarie Group undertakings	272,026,187	(241,498,430)	30,527,757	-	30,527,757
Total assets	272,026,187	(241,498,430)	30,527,757	-	30,527,757
Amounts owed to other Macquarie Group undertakings	(262,665,637)	241,498,430	(21,167,207)	-	(21,167,207)
Total liabilities	(262,665,637)	241,498,430	(21,167,207)	-	(21,167,207)

¹There are no amounts not offset related to cash and other financial collateral or other recognised financial instruments.

In the prior year financial statements, the methodology used to identify the population of amounts subject to enforceable netting arrangements as at 31 March 2016 was incorrect and did not properly identify the complete population of the amounts that were subject to enforceable netting arrangements. We revised our previously reported disclosure to correct these errors in the comparative information presented in these financial statements. These revisions resulted in a net increase in the amounts subject to enforceable netting arrangements and the amounts offset. The gross amount subject to enforceable netting arrangements for assets changed from £191,532,658 to £272,026,187 and liabilities changed from £98,582,798 to £262,665,637. Amounts offset for assets changed from £5,169,008 to £241,498,430 and liabilities from £43,621,101 to £241,498,430. There is no impact over the amounts presented on the face of the balance sheet or disclosure in Note 9 Debtors and Note 13 Creditors: Amounts falling due within one year as at 31 March 2016.

Offsetting on balance sheet

Amounts are offset in accordance with the criteria described in note 2(xiv) "Offsetting financial instruments" and are limited to the gross carrying values of the financial instruments. Therefore, when an asset is offset by a liability and the asset carrying value exceeds the liability carrying value, then the net amount presented for the asset will be the difference, and for the liability will be nil.

Amounts covered by enforceable netting arrangements

Enforceable netting arrangements may allow for net settlement of specified contracts with a counterparty only in the event of default or other pre determined events, such that their potential effect on the Company's financial position in that circumstance is to settle as one arrangement.

The amounts subject to enforceable netting arrangements but not set off on the balance sheet have been limited to the net amount presented on the balance sheet so as not to include effects of over-collateralisation.

Note 26. Ultimate Parent Undertaking

At 31 March 2017, the immediate parent undertaking of the Company is Macquarie Corporate Holdings Pty Limited (UK Branch).

The ultimate parent undertaking and controlling party of the Company is Macquarie Group Limited ("MGL"). The largest group to consolidate these financial statements is MGL, a company incorporated in Australia. The smallest group to consolidate these financial statements is Macquarie Corporate Holdings Pty Limited ("MCHPL"), a company incorporated in Australia. Copies of the consolidated financial statements for MGL and MCHPL can be obtained from the Company Secretary, Level 6, 50 Martin Place, Sydney, New South Wales, 2000 Australia.

Note 27. Pillar 3 Disclosure

For the purposes of the Financial Conduct Authority Pillar 3 disclosure requirements, the Company has made available the necessary documents on its UK website. This can be found at: <http://www.macquarie.com/uk/about/investors/regulatory-disclosures>.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2017

Note 28. Events after the Reporting Period

On 15 June 2017, the Board of Directors authorised the issuance of 40,000,000 ordinary shares at £1 per share to the Company's immediate parent, Macquarie Corporate Holdings Pty Limited (UK Branch).

On 29 June 2017, the Board of Directors authorised the issuance of 90,000,000 ordinary shares at £1 per share to the Company's immediate parent, Macquarie Corporate Holdings Pty Limited (UK Branch).

There were no other material events subsequent to 31 March 2017 that have not been reflected in the financial statements.

Macquarie Capital (Europe) Limited

Country by country disclosure

Region	Activity	Profit / (loss) on ordinary activities			Average FTE employees number
		Turnover £	before taxation £	Corporation tax paid £	
Germany	Corporate advisory services	22,913,964	339,007	1,450,056	1
Ireland	Corporate advisory services	288,189	(618,426)	2,983	2
France	Corporate advisory services	-	8,089	-	-
Netherlands	Corporate advisory services	3,427,539	1,335,044	-	2
Switzerland	Cash equity trade introductions	1,687,244	(198,425)	66,879	4
UK	Corporate advisory services, institutional stockbroking, market making	133,967,281	(18,621,761)	-	1
<i>Intercompany Elimination</i>		(9,138,721)	-	-	-
Total		153,145,496	(17,756,472)	1,519,918	10

Note 1. Basis of preparation

The Capital Requirements (Country by Country Reporting) Regulations 2013 came in to effect on 1 January 2014, and have been transposed into UK law to impose certain reporting obligations on institutions within the United Kingdom within the scope of the EU Capital Requirements Directive IV (CRDIV). The Directors are responsible for preparation of the country by country reporting disclosure in accordance with the above regulations.

The table above presents Macquarie Capital (Europe) Limited's (the "Company's") turnover, profit/loss, corporation cash tax paid and number of employees, allocated by country on the basis of the Company's tax domicile.

Turnover has been disclosed in line with the financial statements of the Company. Employee numbers represent average full-time equivalent (FTE) permanent employees.

The entity did not receive any public subsidies.

Macquarie Capital (Europe) Limited

Independent Auditors' Report to the members of Macquarie Capital (Europe) Limited

We have audited the accompanying schedule of the Company for the year ended 31 March 2017 ("the schedule"). The schedule has been prepared by the Directors based on the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

Directors' Responsibility for the schedule

The Directors are responsible for the preparation of the schedule in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013, for the appropriateness of the basis of preparation and the interpretation of the Regulations as they affect the preparation of the schedule, and for such internal control as the Directors determine is necessary to enable the preparation of the schedule that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the schedule based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

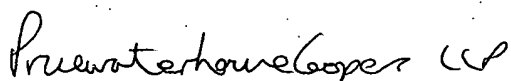
Opinion

In our opinion, the country-by-country information in the schedule as at 31 March 2017 is prepared, in all material respects, in accordance with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

Basis of Preparation and Restriction on Distribution

Without modifying our opinion, we draw attention to Note 1 to the schedule, which describes the basis of preparation. The schedule is prepared to assist the Directors to meet the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013. As a result, the schedule may not be suitable for another purpose.

Our report is intended solely for the benefit of the Directors of the Company. We do not accept or assume any responsibility or liability to any other party save where terms are agreed between us in writing.



PricewaterhouseCoopers LLP
Chartered Accountants
London

24 July 2017