Macquarie Capital (Europe) Limited

COMPANY NUMBER 03704031

MACQUARIE

Strategic Report, Directors' Report and Financial Statements
for the financial year ended 31 March 2019

The Company's registered office is:

Ropemaker Place
28 Ropemaker Street
London EC2Y 9HD
United Kingdom

Macquarie Capital (Europe) Limited

2019 Strategic Report, Directors' Report and Financial Statements

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Macquarie Capital (Europe) Limited

Strategic Report
for the financial year ended 31 March 2019

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 2019 were:

Cash Equities Europe
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. Lastly, the Company engages in risk trading activities including Facilitation, Exchange Traded Funds and Depositary Receipt conversions in Europe.

Equities Research
The Company provides equity research services to Macquarie Corporate Holdings Pty Limited ("MCHPL"), Macquarie Capital (USA) Inc. and external 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.

Oil Futures Trading Business
The Company took oil futures trading positions through the Intercontinental Exchange and the Chicago Mercantile Exchange and holds counterparty credit and market risk on these positions. This business was transferred to Macquarie Commodities Trading Pty Limited on 8 June 2018.

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 2019 was £10,507,756, a decrease of 21 per cent from the loss of £13,292,802 in the previous financial year.

The net operating loss for the year ended 31 March 2019 was £10,207,973, a decrease of 43 per cent from the operating loss of £17,915,222 in the previous financial year.

Total administrative expenses for the year ended 31 March 2019 were £201,598,766, an increase of 4 per cent from £193,704,551 in the previous financial year.

As at 31 March 2019, the Company had net assets, including pension liabilities, of £197,612,460 (2018: £208,650,681).

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 MGL's financial statements and can be obtained from the address given in Note 29.

Strategic Report (continued)
for the financial year ended 31 March 2019

Principal risks and uncertainties (continued)

The Macquarie Group operates parts of its European Union ("EU") business from United Kingdom based subsidiaries such as the Company. On 29 March 2017, the United Kingdom invoked Article 50 of the Lisbon Treaty and officially notified the EU of its decision to withdraw from the EU (known as "Brexit"). The economic, regulatory and legal environment as a result of Brexit will depend on the nature of the transitional arrangements (if any), and the Company continues to assess the possible impacts of Brexit and its strategic options to mitigate those impacts.

In the absence of any deal or transitional arrangements (known as "no-deal Brexit"), passporting (meaning the ability for a firm authorised in the European Economic Area ("EEA") to carry on activities that it has permission for in its home state and any other EEA state by either establishing a branch or agents in an EEA country or providing cross-border services) in its current form will end.

To mitigate the impact of a no-deal Brexit, the Macquarie Group has received authorisation for a new investment firm headquartered in Ireland, with four continental European branches. If a no-deal Brexit eventuates, it is envisaged the Company will transfer its EEA business to the Irish investment firm (to the extent required by the new regulatory regime). The Company will also wind down any EEA branches currently in operation.

If a transitional arrangement or deal is reached, or the post Brexit environment allows continued access to EEA markets by UK firms (whether by way of passporting, reciprocal arrangements, temporary permissions regimes or otherwise), the Company may seek to utilise those arrangements.

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 and market 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

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.

Strategic Report (continued)
for the financial year ended 31 March 2019

Market risk
The Company is exposed to market risk from changes in equity prices 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.

Foreign exchange risk
The Company has foreign exchange exposures which includes exposures arising from its foreign branches, 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.

Other matters
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 financial and non-financial key performance indicators, the Company's business impact on the environment and social, community and human rights issues in the Strategic Report is not necessary for an understanding of the development, performance or position of the business.

On behalf of the Board

Paul Plewman
Director
26 July 2019

Directors' Report
for the financial year ended 31 March 2019

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 financial year and until the date of this report, unless disclosed otherwise, were:

G Alford	(appointed 25 July 2018)	(Independent Non-Executive Director)
K Burgess		
D Fass	(resigned 1 July 2019)	
P Plewman	(appointed 1 October 2018)	
D Wong		

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

H Everitt

Results

The loss for the financial year ended 31 March 2019 was £10,507,756 (2018: £13,292,802).

The German branch contributed a profit of £5,995,046 (2018: profit of £2,691,499), the Irish branch contributed a loss of £531,953 (2018: loss of £551,593), and the Netherlands branch contributed a profit of £4,810,077 (2018: loss of £1,616,485) to the overall loss on ordinary activities before taxation of £9,753,922 (2018: £17,707,778).

Dividends paid or provided for

No final or interim dividends were paid or provided for during the financial year (2018: £nil). No final or interim 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.

On 8 June 2018, the Company transferred the net assets of the Cargill business to Macquarie Commodities Trading Pty Limited. The transfer was completed at fair value with no gain or loss recognised in the profit and loss account. The Company engaged in new risk trading activities during the current year, including Facilitation, Exchange Traded Funds and Depositary Receipt conversions in Europe.

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

Events after the reporting period

As at 31 March 2019, the Company had an outstanding claim in relation to Corporate advisory fees, which was subsequently resolved by a High Court judgement handed down in June 2019. The outstanding amount of £2.8m has been received in full, though could be subject to an appeal by the defendant.

At 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 2019 not otherwise disclosed in this report.

Directors' Report (continued)
for the financial year ended 31 March 2019

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 Company's 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*", 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, comprising 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.

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

Paul Plewman
Director
26 July 2019

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Strategic Report, Directors' Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 March 2019; the profit and loss account, the statement of comprehensive income and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Lawrence Wilkinson

Lawrence Wilkinson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
26 July 2019

Macquarie Capital (Europe) Limited

Profit and loss account
for the financial year ended 31 March 2019

		Continued Operations		Discontinued Operations[3]		Total Company	
	Note	2019[1] £'000	2018 £'000[2]	2019[1] £'000	2018 £'000[2]	2019[1] £'000	2018 £'000[2]
Turnover	3	**179,910**	168,025	**4,953**	7,936	**184,863**	175,961
Administrative expenses	3	**(200,212)**	(186,893)	**(1,387)**	(6,812)	**(201,599)**	(193,705)
Other operating income/(expenses)	3	**5,862**	489	**666**	(660)	**6,528**	(171)
Operating (loss)/profit		**(14,440)**	(18,379)	**4,232**	464	**(10,208)**	(17,915)
Interest receivable and similar income	5	**2,106**	2,089	**438**	270	**2,544**	2,359
Interest payable and similar charges	6	**(1,621)**	(1,858)	**(469)**	(294)	**(2,090)**	(2,152)
(Loss)/profit on ordinary activities before taxation		**(13,955)**	(18,148)	**4,201**	440	**(9,754)**	(17,708)
Tax on loss/profit on ordinary activities	7	**284**	4,533	**(1,038)**	(118)	**(754)**	4,415
(Loss)/profit for the financial year		**(13,671)**	(13,615)	**3,163**	322	**(10,508)**	(13,293)

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

[1]The 2019 financial results reflect the adoption of IFRS 9 – *Financial Instruments* ("IFRS 9") and IFRS 15 – *Revenue from contracts with customers* ("IFRS 15") on 1 April 2018. As permitted by IFRS 9 and IFRS 15, the Company has not restated previously reported financial periods. The effect of the adoption of these standards is explained in Notes 2 and 33.

[2]In the previous period, amounts were rounded to the nearest Pounds Sterling. All amounts are now rounded to the nearest thousand Pounds Sterling unless otherwise indicated.

[3]On 8 June 2018, the Company transferred the net assets of the Cargill business to Macquarie Commodities Trading Pty Limited (Note 35).

Statement of comprehensive income
for the financial year ended 31 March 2019

	Note	2019[1] £'000	2018 £'000[2]
Loss after tax for the financial year		**(10,508)**	(13,293)
Other comprehensive (expense)/income:			
Items that will not be reclassified to profit or loss:			
Actuarial (loss)/gain on pension schemes	17	**(316)**	156
Deferred tax associated with actuarial loss/gain	17	**66**	(23)
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations	19	**(175)**	(135)
Total other comprehensive loss for the financial year		**(425)**	(2)
Total comprehensive loss		**(10,933)**	(13,295)
Total comprehensive loss for the financial year that is attributable to ordinary equity holders of the Company		**(10,933)**	(13,295)

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

[1]The 2019 financial results reflect the adoption of IFRS 9 – Financial Instruments ("IFRS 9") and IFRS 15 – Revenue from contracts with customers ("IFRS 15") on 1 April 2018. As permitted by IFRS 9 and IFRS 15, the Company has not restated previously reported financial periods. The effect of the adoption of these standards is explained in Notes 2 and 33.

[2]In the previous period, amounts were rounded to the nearest Pounds Sterling. All amounts are now rounded to the nearest thousand Pounds Sterling unless otherwise indicated.

Balance sheet
as at 31 March 2019

	Note	2019[1] £'000	2018 £'000[2]
Fixed assets			
Tangible assets	8	**168**	197
		168	197
Current assets			
Deferred tax assets	7	**1,520**	1,717
Debtors	9	**1,081,242**	1,095,916
Trading assets	11	**37,945**	3,619
Derivative assets	10	**38**	32,628
Financial investments	12	**4,518**	450
Cash at bank and in hand	13	**1,367**	6,625
		1,126,630	1,140,955
Current liabilities			
Trading liabilities	14	**(37,705)**	(170)
Derivative liabilities	10	**(3)**	(39,232)
Creditors: amounts falling due within one year	15	**(887,385)**	(890,525)
		(925,093)	(929,927)
Net current assets		**201,537**	211,028
Total assets less current liabilities		**201,705**	211,225
Provisions for liabilities	16	**(2,542)**	(1,047)
Net assets excluding pension liability		**199,163**	210,178
Pension liability	17	**(1,551)**	(1,527)
Net assets including pension liability		**197,612**	208,651
Capital and reserves			
Called up share capital	18	**331,601**	331,601
Share premium account	18	**4,999**	4,999
Equity contribution from ultimate parent entity	18	**2,127**	2,004
Other reserves	19	**(495)**	(70)
Profit and loss account	19	**(140,620)**	(129,883)
Total shareholders' funds		**197,612**	208,651

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

[1]The 2019 financial results reflect the adoption of IFRS 9 – Financial Instruments ("IFRS 9") and IFRS 15 – Revenue from contracts with customers ("IFRS 15") on 1 April 2018. As permitted by IFRS 9 and IFRS 15, the Company has not restated previously reported financial periods. The effect of the adoption of this standard is explained in Notes 2 and 33.

[2]In the previous period, amounts were rounded to the nearest Pounds Sterling. All amounts are now rounded to the nearest thousand Pounds Sterling unless otherwise indicated.

The financial statements on pages 10 to 48 were authorised for issue by the Board of Directors on 26 July 2019 and were signed on its behalf by:

Paul Plewman
Director

Statement of changes in equity for the financial year ended 31 March 2019

	Note	Called up share capital £'000[2]	Share premium account £'000[2]	Equity contribution from ultimate parent entity £'000[2]	Other reserves £'000[2]	Profit and loss account £'000[2]	Total shareholders' funds £'000[2]
Balance at 1 April 2017		151,601	4,999	1,947	(68)	(116,590)	41,889
Loss for the financial year		-	-	-	-	(13,293)	(13,293)
Other comprehensive loss		-	-	-	(2)	-	(2)
Total comprehensive loss		-	-	-	(2)	(13,293)	(13,295)
Transactions with equity holders in their capacity as ordinary equity holders:							
Issue of share capital	18	180,000	-	-	-	-	180,000
Other equity movements							
Deferred tax on share based payments	18	-	-	57	-	-	57
Balance at 31 March 2018		331,601	4,999	2,004	(70)	(129,883)	208,651
Change on initial application of IFRS 9[1]	33	-	-	-	-	(229)	(229)
Restated balance at 1 April 2018		**331,601**	**4,999**	**2,004**	**(70)**	**(130,112)**	**208,422**
Loss for the financial year		-	-	-	-	**(10,508)**	**(10,508)**
Other comprehensive loss		-	-	-	**(425)**	-	**(425)**
Total comprehensive loss		-	-	-	**(425)**	**(10,508)**	**(10,933)**
Other equity movements							
Deferred tax on share based payments	18	-	-	**123**	-	-	**123**
Balance at 31 March 2019		**331,601**	**4,999**	**2,127**	**(495)**	**(140,620)**	**197,612**

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.

[1]The March 2019 financial results reflect the adoption of IFRS 9 – Financial Instruments ("IFRS 9") and IFRS 15 – Revenue from contracts with customers ("IFRS 15") on 1 April 2018. As permitted by IFRS 9 and IFRS 15, the Company has not restated previously reported financial periods. The effect of the adoption of these standards is explained in Notes 2 and 33.

[2]In the previous period, amounts were rounded to the nearest Pounds Sterling. All amounts are now rounded to the nearest thousand Pounds Sterling unless otherwise indicated.

Notes to the financial statements for the financial year ended 31 March 2019

Note 1. Company information

The Company is a private company limited by shares and is incorporated and domiciled in the United Kingdom and registered in England and Wales. 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 financial 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 in accordance with the Companies Act 2006 and under the historical cost convention except for the financial instruments (including derivatives) measured at fair value through profit or loss, financial investments in equity securities, trading assets and trading liabilities.

The financial statements contain information about the Company as an individual company.

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 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 of IAS 1, 'Presentation of financial statements':
  - o 10 (d), (statement of cash flows),
  - o 16 (statement of compliance with all IFRS),
  - o 38A (requirement for minimum of two primary statements, including cash flow statements),
  - o 38 B-D (additional comparative information),
  - o 111 (cash flow statement information).
- 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'.
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

Notes to the financial statements (continued)
for the financial year ended 31 March 2019

Note 2. Summary of significant accounting policies (continued)

i) Basis of preparation (continued)

Critical accounting estimates and significant judgements

The preparation of the financial statements 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 statements such as:

– judgement in determining the appropriate business model for a group of financial assets and assessing whether the cash flows generated by an asset constitute solely payment of principal and interest (SPPI test) (Note 2(vi));

– judgement in measurement of Expected Credit Loss (ECL) including the choice of inputs, estimates and assumptions relating to information about past events, current conditions and forecasts of economic conditions (Notes 2(x) and 34);

– judgement and estimate of fair value of financial assets and financial liabilities including accounting for day 1 profit or loss (Note 27);

– judgement and estimate of valuation of pension commitments (Note 17); and

– judgement and estimate of recoverability of tax receivables, 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 that 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 management's assumptions and estimates could require an adjustment to the carrying amounts of the reported assets and liabilities.

New Accounting Standards and amendments to Accounting Standards that are either effective in the current financial year or have been adopted early

IFRS 9 *Financial Instruments*

IFRS 9 replaced International Accounting Standard 39 *Financial Instruments: Recognition and Measurement* ("IAS 39") from 1 April 2018. IFRS 9 resulted in changes to accounting policies covering the classification, measurement and impairment of financial assets and the application of hedge accounting. The Company has applied the requirements of IFRS 9 in the current financial year beginning 1 April 2018.

Transition:

As permitted by IFRS 9, the Company has not restated its comparative financial statements and has recorded a transition adjustment to opening balance sheet and retained earnings at 1 April 2018 to reflect the impact of the adoption of the IFRS 9 requirements.

The transition adjustment did not have a material impact having resulted in a decrease in the Company's shareholders' funds of £229,234 after tax. This has not materially impacted the Company's minimum regulatory capital requirements.

The adoption of the Classification and Measurement requirements of the standard did not result in significant measurement differences when compared to those under IAS 39.

Notes to the financial statements (continued)
for the financial year ended 31 March 2019

Note 2. Summary of significant accounting policies (continued)

i) Basis of preparation (continued)

IFRS 9 *Financial Instruments* (continued)

The key changes in the Company's significant accounting policies following the transition to IFRS 9 have been included within the relevant sections of this note and other notes in the financial statements. Accounting policies applicable to the prior period have been provided in italics as appropriate for comparability purposes.

Change on initial application of IFRS 9:

Note 33 summarises the presentation and carrying amount changes to the Company's balance sheet as a result of the adoption of IFRS 9 as at 1 April 2018, and includes:
- presentational changes;
- the impact of the classification and measurement changes; and
- the new ECL requirements on the balance sheet.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 replaces all the previous guidance on revenue recognition from contracts with customers. It requires the identification of discrete performance obligations within a customer contract and an associated transaction price is allocated to these obligations. Revenue is recognised upon satisfaction of these performance obligations, which occurs when control of the goods or services are transferred to the customer.

The Company adopted IFRS 15 Revenue from Contracts with Customers on 1 April 2018. No material adjustment to opening retained earnings was made as the amendments to accounting policy did not result in significant changes to the timing or amount of revenue recognised at 31 March 2018.

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

The functional currency of the Company is determined as the currency of the primary economic environment in which it operates. 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 translated into the functional currency using the exchange rates prevailing at the transaction date. 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 account.

Notes to the financial statements (continued)
for the financial year ended 31 March 2019

Note 2. Summary of significant accounting policies (continued)

iii) Foreign currency translation (continued)

Foreign operations

The results and financial position of the Company's foreign branches that have a functional currency other than Pounds Sterling are translated into Pounds Sterling as follows:

- assets and liabilities are translated at the closing exchange rate at the date of that balance sheet,
- income and expenses are translated at actual exchange rates at the dates of the transactions, and
- all resulting exchange differences are recognised in OCI within a separate component of equity being the foreign currency translation reserve.

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:

Net interest income

Interest income and interest expense is recognised using the effective interest rate ("EIR") method for financial assets and liabilities carried at amortised cost. The EIR method calculates the amortised cost of a financial instrument at a rate that discounts estimated future cash receipts or 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 that are integral to the lending arrangement are recognised in the profit and loss accounts over the expected life of the instrument in accordance with the EIR method.

When the estimates of payments or receipts of a financial instrument are subsequently revised, the carrying amount is adjusted to reflect the actual or revised cash flows with the re-measurement recognised as part of interest income (financial assets) or interest expense (financial liabilities).

Prior to the adoption of IFRS 9, interest income on financial assets that were measured at amortised cost (being loans and receivables and held to maturity financial assets) or classified as available for sale, was recognised in accordance with the EIR method.

Fee and commission income

Revenue earned by the Company from its contracts with customers primarily consists of the following categories of fee and commission income:

Mergers and acquisitions, advisory and underwriting fees - The Company earns revenue through its role as advisor on corporate transactions as well as through its role as manager and underwriter of equity and debt issuances. The revenue from these arrangements is recognised at the point in time when it has been established that the customer has received the benefit of the service. For advisory services this is typically at the time of closing the transaction.

Where mandates contain rights to invoice upon reaching certain milestones, the Company will assess if there are distinct services transferred at these milestones and recognise revenue accordingly, otherwise it will defer recognition until the performance obligation has been completed. Management of capital raisings and underwriting of debt or equity capital raisings are each considered distinct performance obligations that are typically satisfied on the allocation date of the underwritten securities.

Brokerage and Commission - The Company enters into contracts with customers to act as an agent to buy and sell securities and fees related to this service are recognised on the trade date. The brokerage and commission income is presented net of any rebates.

Other fee and commission income - Other fee and commission income is recognised when the performance obligation is satisfied. Fee income for facilitation of Commodities and Financial Markets Group's trading activities is recognised in line with approved service agreements. Net trading income comprises gains and losses related to trading assets/liabilities and derivatives including all realised and unrealised fair value changes and foreign exchange differences.

Prior to the adoption of IFRS 15, fee and commission income was recognised as related services were performed and in line with approved service agreements.

Notes to the financial statements (continued)
for the financial year ended 31 March 2019

Note 2. Summary of significant accounting policies (continued)

iv) Revenue and expense recognition (continued)

Other operating income and charges

Other operating income and charges comprises foreign exchange gain/loss as a result of revaluation.

Dividends and distributions

Interim dividends from UK companies are recognised when the dividend proceeds are received by the Company. Final dividends from investments in UK companies and dividends from investments in overseas companies are recognised when the Company becomes entitled to the dividend.

Expenses

Expenses are brought to account on an accrual basis and, if not paid at the end of the reporting period, are reflected on 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. This income is 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 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 and an intention to either settle on a net basis, or realise the asset and settle the liability simultaneously.

Current and deferred taxes attributable to amounts recognised in OCI are also recognised in OCI.

The Company exercises judgement in determining whether deferred tax assets, particularly in relation to tax losses, are likely or not to be recovered.

Factors considered include the nature of the tax loss, the length of time that tax losses are eligible for carry forward to offset against future taxable profits and whether future taxable profits are expected to be sufficient to allow recovery of deferred tax assets.

The Company undertakes transactions in the ordinary course of business where the income tax treatment requires the exercise of judgement. The Company estimates the amount expected to be paid to/(recovered from) tax authorities based on its understanding of the law.

Notes to the financial statements (continued)
for the financial year ended 31 March 2019

Note 2. Summary of significant accounting policies (continued)

vi) Financial instruments

Recognition of financial instruments

Financial instruments are recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is initially recognised at fair value and is adjusted for (in the case of instruments not carried at fair value through profit or loss ("FVTPL")) transaction costs that are incremental and directly attributable to the acquisition or issuance of the financial instrument. Transaction costs relating to financial instruments carried at FVTPL are expensed in the profit and loss account.

Derecognition of financial instruments

Financial assets

Financial assets are derecognised from the balance sheet when:
- the rights to cash flows have expired;
- the Company has transferred the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset.

In transactions where the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, the asset is derecognised if control over the asset is lost. Any interest in the transferred and derecognised financial asset that is created or retained by the Company is recognised as a separate asset or liability. In transfers where control over the asset is retained, the Company continues to recognise the asset to the extent of its continuing involvement as determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities

Financial liabilities are derecognised from the balance sheet when the Company's obligation has been discharged, cancelled or has expired.

Gains and losses on the derecognition of non-trading related financial assets and liabilities are recognised as other income or expense disclosed as part of other operating income and expenses.

Classification and subsequent measurement

Financial assets

Financial assets are classified based on the business model within which the asset is held and on the basis of the financial asset's contractual cash flow characteristics.

Business model assessment

The Company determines the business model at the level that reflects how groups of financial assets are managed. In determining the business model, all relevant evidence that is available at the date of the assessment is used including:

(i) how the performance of the financial assets held within that business model is evaluated and reported to the business's key management personnel;
(ii) the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
(iii) how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The Company exercises judgement to determine the appropriate level at which to assess its business models and its intention with respect to financial assets.

Solely payment of principal and interest (SPPI)

Key considerations for the SPPI assessment include the timing of the contractual cash flows and the interest component, where interest primarily reflects the time value of money and the credit risk of the principal outstanding.

Notes to the financial statements (continued)
for the financial year ended 31 March 2019

Note 2. Summary of significant accounting policies (continued)

vi) Financial instruments (continued)

Amortised cost

A financial asset is subsequently measured at amortised cost if all of the following conditions are met:

(i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
(ii) the contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI requirements; and
(iii) the financial asset has not been designated to be measured at FVTPL ("DFVTPL").

Interest income determined in accordance with the EIR is recognised in interest income. Gains and losses arising from the derecognition of financial assets that are measured on an amortised cost basis are recognised in other income as part of other operating income and charges.

Fair value through profit or loss

Financial assets that do not meet the criteria to be measured at amortised cost are measured at FVTPL, with all changes in fair value recognised in investment income as part of other operating income and charges.

For the purposes of the Company's financial statements, the FVTPL classification consists of the following:
– financial assets that are held for active trading (held for trading or 'HFT'). This classification includes all derivative financial assets;
– financial assets that have been designated to be measured at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch (DFVTPL); and
– financial assets in a business model whose objective is achieved by managing the financial assets on a fair value basis in order to realise gains and losses as opposed to a business model in which the objective is to collect contractual cash flows or financial assets that fail the SPPI test (FVTPL).

For financial instruments measured at FVTPL, the best evidence of fair value at initial recognition is its transaction price, unless its fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique for which variables include only data from observable markets. Where such alternative evidence exists, the Company recognises profit or loss immediately when the financial instrument is recognised ('day 1 profit or loss'). When significant unobservable inputs are used to determine fair value, the day 1 profit is deferred and is recognised in the profit and loss account over the life of the transaction or when the inputs become observable.

Changes in the fair value of HFT instruments are recognised in net trading income. Changes in the fair value of financial assets that are DFVTPL and FVTPL are recognised as investment income as part of other operating income and charges.

The interest component of financial assets that are classified as HFT, DFVTPL and FVTPL are recognised in interest income. Equity financial assets are measured at FVTPL.

Classification and subsequent measurement

Reclassification of financial instruments

The Company reclassifies debt financial assets when and only when its business model for managing those assets changes. Financial assets that are reclassified are subsequently measured based on the financial asset's new measurement category.

The Company does not reclassify financial liabilities after initial recognition.

Prior to the adoption of IFRS 9, the Company's financial assets were classified into the following categories:
– Loans and receivables; being receivables and amounts due from subsidiaries that were non-derivative financial assets with fixed or determinable payments and that were not quoted in an active market. The measurement and recognition of gains and losses of such assets aligns with that for financial assets classified as at amortised cost under IFRS 9;
– Held for trading financial assets, being those financial assets that were held for trading purposes. The measurement and recognition of gains and losses of such assets aligns with the HFT category under IFRS 9;
– Other financial assets were designated at FVTPL if:
– the asset contained embedded derivatives which should otherwise have been separated and carried at fair value,
– the asset was part of a group of financial assets and financial liabilities managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy, and reporting is provided on that basis to key management personnel, or
– doing so eliminated or significantly reduced a measurement or recognition inconsistency that would otherwise have arisen.

Notes to the financial statements (continued)
for the financial year ended 31 March 2019

Note 2. Summary of significant accounting policies (continued)

vi) Financial instruments (continued)

Financial liabilities

Financial liabilities are subsequently measured at amortised cost, unless they are either held for trading purposes, in which case they are classified as HFT, or have been designated to be measured at FVTPL (DFVTPL). A financial liability may be classified as DFVTPL if:
- the liability contains embedded derivatives which must otherwise be separated and carried at fair value; and
- doing so eliminates or significantly reduces an accounting mismatch.

All derivative liabilities are classified as HFT.

Gains and losses arising from the derecognition of financial liabilities that are subsequently measured on an amortised cost basis are recognised in other income as part of other operating income and charges. The changes in fair value of financial liabilities that are classified as HFT are recognised as part of net trading income. Changes in the fair value of financial liabilities that are classified as DFVTPL are recognised as part of other operating income and charges, with the exception of changes in fair value relating to changes in the Company's own credit risk that is presented separately in OCI and is not subsequently reclassified to profit or loss. The interest component of financial liabilities that are classified as HFT or DFVTPL is recognised in interest expense.

Offsetting of 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.

vii) Trading assets and liabilities

Trading assets (long positions) comprise financial instruments such as equity securities held with the intent of being actively traded. Trading liabilities comprise obligations to deliver assets (short positions) across the same trading categories which the Company intends to actively trade.

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

viii) Derivative instruments

Derivative instruments entered into by the Company include forwards and forward rate agreements, swaps and options in the interest rate, foreign exchange, commodity and equity markets. These derivative instruments are principally used by the Company for the purposes of risk management of existing financial and non-financial assets and liabilities and entered into for client trading purposes.

All derivatives, including those held for hedging purposes, are classified as HFT. Derivatives are recognised in the balance sheet as an asset where they have a positive fair value at the balance sheet date or as a liability where the fair value at the balance sheet date is negative.

Fair values are obtained from quoted market prices in active markets including recent market transactions, and valuation techniques including discounted cash flow models and option pricing models, as appropriate.

Notes to the financial statements (continued)
for the financial year ended 31 March 2019

Note 2. Summary of significant accounting policies (continued)

viii) Derivative instruments (continued)

The best evidence of a derivative's fair value at initial recognition is its transaction price, unless its fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique for which variables include only data from observable markets. Where such alternative evidence exists, the Company recognises profit or loss immediately when the derivative is recognised ('day 1 profit or loss'). When significant unobservable inputs are used to determine fair value, the day 1 profit or loss is deferred and is recognised in the profit and loss account over the life of the transaction or when the inputs become observable. The Company applies this day 1 profit or loss policy to all financial instruments measured at fair value.

ix) Tangible assets

Tangible assets are stated at historical cost (which includes, where applicable, directly attributable borrowing costs) less, where applicable, accumulated depreciation and accumulated impairment losses. 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 cost and residual values over their estimated useful lives, at the following rates:

Furniture, fittings and leasehold improvements*	10 to 20 percent
Computer and communication equipment	33 to 50 percent

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

Useful lives, residual values and depreciation methods are reviewed annually and reassessed in light of commercial and technological developments. Gains and losses on disposal are determined by comparing proceeds with the asset's carrying amount and are recognised as part of other operating income and expenses in the profit and loss account.

x) Impairment

Expected credit losses

The ECL requirements apply to financial assets measured at amortised cost and FVOCI, and amounts receivable from contracts with customers as defined in IFRS 15. The Company applies a three-stage approach to measuring the ECL based on changes in the financial asset's underlying credit risk and includes forward-looking or macro-economic information (FLI). Where ECL is modelled collectively for portfolios of exposures, it is modelled as the product of the probability of default (PD), the loss given default (LGD) and the exposure at default (EAD).

The calculation of ECL requires judgement and the choice of inputs, estimates and assumptions. Outcomes within the next financial period that are different from management's assumptions and estimates could result in changes to the timing and amount of ECL to be recognised.

The ECL is determined with reference to the following stages:

i) Stage 1 – 12 month ECL:

At initial recognition, and for financial assets for which there has not been a significant increase in credit risk (SICR) since the initial recognition (or for those financial assets for which the credit risk is considered to be low), ECL is determined based on the PD over the next 12 months and the lifetime losses associated with such PD, adjusted for FLI.

Interest income is determined with reference to the financial asset's EIR to the financial asset's gross carrying amount.

ii) Stage 2 – Lifetime ECL not credit-impaired:

When there has been a SICR since initial recognition, the ECL is determined with reference to the financial asset's life-time PD and the lifetime losses associated with that PD, adjusted for FLI. The Company applies its judgement in determining whether there is a SICR since initial recognition based on qualitative, quantitative, and reasonable and supportable information that includes FLI.

Use of more alternative criteria could result in significant changes to the timing and amount of ECL to be recognised. Lifetime ECL is generally determined based upon the contractual maturity of the financial asset. For revolving facilities, the Company exercises judgement based on the behavioural, rather than contractual characteristics of the facility type.

Interest income is determined by applying the financial asset's EIR to the financial asset's gross carrying amount.

Notes to the financial statements (continued)
for the financial year ended 31 March 2019

Note 2. Summary of significant accounting policies (continued)

x) Impairment (continued)

iii) Stage 3 – Lifetime ECL credit-impaired:
Financial assets are classified as stage 3 where they are determined to be credit impaired, which includes exposures that are at least 90 days past due and where the obligor is unlikely to pay without recourse against available collateral.

The ECL for credit impaired financial assets is generally measured as the difference between the contractual and expected cash flows from the individual exposure, discounted using the EIR for that exposure. For credit-impaired exposures that are modelled collectively, ECL is measured as the product of the lifetime PD, LGD and EAD, adjusted for FLI.

Interest income is determined by applying the financial asset's EIR to the financial asset's amortised cost carrying value, being the gross carrying value after the ECL provision.

Prior to the adoption of IFRS 9, credit impairment provisions were recognised on an incurred loss basis. Key differences included:

- *an impairment loss was recorded where there was objective evidence of impairment as a result of one or more events (loss event) which had an impact on the estimated future cash flows of the financial asset that could be reliably estimated;*
- *where the credit risk of an exposure had deteriorated but there was no objective evidence of impairment, no credit impairment was required to be recognised;*
- *forward looking or macroeconomic information was not required to be incorporated into the determination of the credit impairment loss; and*
- *credit impairments were only required to be recognised for on-balance sheet exposures.*

Credit impairments were calculated on the basis of the difference between the exposure's carrying value and the present value of expected future cash flows, discounted using the original EIR.

xi) Provisions

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation that has arisen as a result of past events and for which a reliable estimate can be made.

Employee benefit provisions

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 long service leave and 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, except where there is no deep market, in which case rates on applicable government securities are used. 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.

xii) Performance based remuneration

Share based payments

The ultimate parent entity, 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 23. The Company recognises a prepaid asset at grant for these awards, where MGL is reimbursed in advance. This amount is recognized as an expense over the respective vesting periods. The awards are measured at the grant dates based on their fair value and using the number of equity instruments expected to vest.

Notes to the financial statements (continued)
for the financial year ended 31 March 2019

Note 2. Summary of significant accounting policies (continued)

xii) Performance based remuneration (continued)

Profit share remuneration

The Company recognises a liability and an expense for profit share remuneration to be paid in cash with reference to the performance period to which the profit share relates.

xiii) Cash at bank and in hand

Cash and bank balances comprises cash balances and call deposits with qualifying financial institutions. 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.

xiv) Leases

Determine whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether the arrangement is or contains a lease. At inception or on reassessment of an arrangement that contains a lease, the Company separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values.

Arrangement where the Company is lessee

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. The difference between the cumulative expense recognised and cash paid is recorded on the balance sheet.

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 financial year.

xvi) Other assets and liabilities

Contract assets and contract liabilities

Where the Company provides services to clients and the consideration is unconditional, a contract receivable is recognised. Where the consideration is conditional on something other than passage of time these are recorded as contract assets. Both contract receivables and contract assets are assessed for impairment in accordance with IFRS 9.

The Company, as permitted by IFRS 15, has applied the practical expedient that allows for costs incurred to obtain a contract to be expensed as incurred where the amortisation period for any asset recognised would be less than 12 months.

The Company also applies the practical expedient not to adjust consideration for the effects of a significant financing component, where the period between transferring a good or service and when the customer pays for that good or service is expected to be one year or less.

Contract liabilities relate to prepayments received from customers where the Company is yet to satisfy its performance obligation.

Notes to the financial statements (continued)
for the financial year ended 31 March 2019

Note 2. Summary of significant accounting policies (continued)

xvii) Cash collateral on securities borrowed & lent and reverse repurchase agreements

As part of its trading and financing activities, the Company borrows and lends securities on a collateralised basis. The securities subject to the arrangement are not derecognised from the balance sheet of the relevant parties, as the risks and rewards of ownership remain with the initial holder. These transactions include reverse repurchase transactions, where the Company purchases securities under an agreement to resell.

The Company continually reviews the fair values of the securities on which the above transactions are based and, where appropriate, requests or provides additional collateral to support the transactions, in accordance with the underlying agreements.

Reverse repurchase agreements are measured at amortised cost.

The Company uses trade date accounting when recording regular way purchases and sales of these assets and liabilities. At the date a purchase transaction is entered into (trade date), the Company recognises the resulting financial asset or liability and any subsequent unrealised profit or loss arising from revaluing that contract to fair value is recognised in the profit and loss account.

Refer Note 2(vi) for the detailed Financial Instruments accounting policy.

Prior to the adoption of IFRS 9, reverse repurchase agreements were classified as loans and receivables measured at amortised cost.

xviii) Investments

Financial investments

Investment securities in this category include investments in equity securities which are not actively traded by the Company. These investment securities are subsequently measured at fair value through profit and loss in accordance with the Company's accounting policy for financial instruments, Note 2 (vi).

xix) Called up share capital

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

xx) Comparatives

During the current year, the offsetting for intercompany balances based on legal enforceable right and intention to settle balances have been reassessed and it has been interpreted that balances with separate branches and tax units of same legal entity should be presented on a gross basis. Where necessary, based on the change in accounting policy, comparative information has been adjusted to conform to changes in the presentation in the current year for intercompany balances. Financial risk management disclosures relating to credit and liquidity risk have also been reclassified to conform to the current year assessment of intercompany balances; consequently, as at 31 March 2018, a balance of £46,239,481, previously offset within 'Debtors', has been presented gross within 'Creditors'.

xxi) Rounding of amounts

In the previous period, amounts were rounded to the nearest pounds sterling. All amounts are now rounded to the nearest thousand Pounds Sterling unless otherwise indicated. The rounding of certain amounts has changed to reflect the current year presentation.

Notes to the financial statements (continued)
for the financial year ended 31 March 2019

	2019 £'000	2018 £'000

Note 3. Loss on ordinary activities before taxation

	2019 £'000	2018 £'000
Loss on ordinary activities before taxation is stated after charging/(crediting):		
Wages and salaries	5,489	4,615
Social security costs	175	8
Resourcing charge from Macquarie Group undertakings	11,723	24,985
Other pension (credit)/charge	(220)	108
Share based payment (credit)/charge	(195)	813
Staff costs	16,972	30,529
Foreign exchange (gains)/losses	(26)	172
Net gain on equity investment[1]	(6,326)	-
Credit impairment charges[2]	(176)	-
Fee allocations to other Macquarie Group undertakings	70,995	90,834
Internal fee and management fee expenses	28,337	15,245
Brokerage expenses	47,420	22,110
Depreciation charges	119	125
Rent and occupancy costs	2,072	2,711
Auditors' remuneration		
Fees payable to the Company's auditors for the audit of the Company	85	112
Fees payable to the Company's auditors for other services	81	139

[1]Fair value gain and losses from equity financial investments that have been classified as FVTPL.

[2]The change in expected credit losses relating to financial assets under IFRS 9 is recorded under Credit impairment charges. Individual and collective provisions for March 2018 remain in accordance with IAS 39 and have not been restated.

	2019 £'000	2018 £'000
Turnover from principal activities:		
Advisory fee income	97,825	101,758
Brokerage commission income	70,735	43,957
Net trading (loss)/income	(10,494)	4,649
Equities research income	6,709	7,880
Underwriting income	4,528	6,198

Note 4. Employee information

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

	Number of employees 2019	Number of employees 2018
Commodities and Global Markets:		
Advisory and Sales	4	4
Administration and support services	-	1
Macquarie Capital:		
Administration and support services	5	3
Total employees	9	8

Note 5. Interest receivable and similar income

	2019 £'000	2018 £'000
Interest receivable from other Macquarie Group undertakings	2,543	2,348
Interest receivable from unrelated parties	1	11
Total interest receivable and similar income	2,544	2,359

Notes to the financial statements (continued)
for the financial year ended 31 March 2019

	2019 £'000	2018 £'000

Note 6. Interest payable and similar charges

	2019 £'000	2018 £'000
Interest payable to other Macquarie Group undertakings	1,466	1,138
Interest payable to unrelated parties	624	1,014
Total interest payable and similar charges	**2,090**	2,152

Note 7. Taxation

(i) Tax expense included in profit or loss

	2019 £'000	2018 £'000
Current tax		
UK corporation tax	4,078	5,541
Adjustments in respect of prior years	(762)	263
Foreign tax suffered	(3,795)	(886)
Total current tax	**(479)**	4,918
Deferred tax		
Origination and reversal of temporary differences	(234)	(118)
Adjustments in respect of prior years	7	(255)
Effect of changes in tax rates	(48)	(130)
Total deferred tax	**(275)**	(503)
Tax on loss on ordinary activities	**(754)**	4,415

(ii) Reconciliation of effective tax rate

The income tax charge for the period is higher (2018: lower) than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £'000	2018 £'000
Loss before tax on ordinary activities	**9,754**	17,708
Loss on ordinary activities before taxation multiplied by standard rate of corporation tax charge at 19% (2018: 19%)	1,853	3,364
Effects of:		
Adjustments in respect of prior years	(754)	8
Non-deductible expenses	(82)	(68)
Foreign tax suffered	(3,800)	(877)
Deduction for foreign tax suffered	721	168
Bank surcharge	1,220	1,650
Non assessable income	136	300
Effect of changes in tax rates	(48)	(130)
Total tax (expense)/credit on loss on ordinary activities	**(754)**	4,415

The UK corporation tax rate was reduced from 20% to 19% with effect from 1 April 2017 and will further reduce to 17% from 1 April 2020.

Notes to the financial statements (continued)
for the financial year ended 31 March 2019

	2019 £'000	2018 £'000
Note 7. Taxation (continued)		
(iii) Deferred tax comprising timing differences attributable to:		
Deferred tax assets		
Other assets and liabilities	419	407
Fixed assets	1,101	1,310
Total deferred tax assets	1,520	1,717
(iv) Reconciliation of the Company's movement in deferred tax		
Balance at the beginning of the financial year	1,717	2,272
Timing differences:		
Deferred tax charged to profit and loss for the year	(275)	(153)
Effect of changes in tax rates	(68)	(158)
Deferred tax charged to equity	78	(21)
Adjustment to opening deferred tax assets due to transition to IFRS	4	-
Change in tax relating to reserves	57	32
Adjustments in respect of prior years	7	(255)
Balance at the end of the financial year	1,520	1,717

Note 8. Tangible assets

	2019 £'000	2018 £'000
Furniture, fittings and leasehold improvements		
Cost	491	485
Less accumulated depreciation	(447)	(424)
Total furniture, fittings and leasehold improvements	44	61
Computer and communication equipment		
Cost	3,658	3,785
Less accumulated depreciation	(3,534)	(3,649)
Total computer and communication equipment	124	136
Total tangible assets	168	197

Reconciliation of the movement in the Company's tangible assets at their carrying amount:

	Furniture, fittings and leasehold improvements £'000	Computer and communication equipment £'000	Total £'000
Balance at 1 April 2018	61	136	197
Acquisitions	13	78	91
Foreign exchange movements	-	(1)	(1)
Depreciation expense (Note 3)	(30)	(89)	(119)
Balance at 31 March 2019	44	124	168

Notes to the financial statements (continued)
for the financial year ended 31 March 2019

	2019 £'000	2018 £'000*
Note 9. Debtors		
Brokerage trade debtors[1]	**808,274**	876,121
Amounts owed by other Macquarie Group undertakings[2]	**162,761**	121,791
Reverse repurchase agreements[3]	**44,552**	45,129
Cash collateral on securities borrowed[3]	**17,179**	1,095
Fees and other receivables[(4)(5)]	**16,726**	21,158
Other trade debtors[5]	**28,673**	23,490
Taxation	**2,685**	6,954
Prepayments and accrued income	**392**	178
Total debtors	**1,081,242**	1,095,916

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

[2]Amounts 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 2019 the rate applied ranged between LIBOR plus 1.18% and LIBOR plus 2.41% (2018: between LIBOR plus 1.25% and LIBOR plus 2.73%).

[3]Represents cash extended against securities borrowed and reverse repurchase agreements with other Macquarie Group undertakings. The Company derives interest on intercompany loans to group undertakings at market rates and at 31 March 2019 the rate applied ranged between 0.75% and 0.91% in respect of sterling-denominated instruments and -0.50% and -0.60% in respect of euro-denominated instruments.

[4]Fees and other receivables are stated after provisions for impairment of £242,238 (2018: £247,692).

[5]Fees and other receivables and Other debtors include £6,860,490 (2018: £112,975) of contract assets.

*Comparatives have been restated to reflect a change in accounting policy and to split out reverse repurchase agreements and cash collateral. Please refer to Note 2(xx).

Note 10. Derivative financial instruments

After the sale of the Cargill business in June 2018, the Company's outstanding derivative financial instruments as at 31 March 2019 are immaterial.

The following tables provide details of the Company's outstanding derivative financial instruments as at 31 March 2018.

	Notional amount £'000	Fair value of derivative assets £'000	Fair value of derivative liabilities £'000	Net fair value £'000
Commodity contracts				
Forwards	88,273	12,146	(11,421)	725
Swaps	171,572	20,482	(27,811)	(7,329)
Total commodity contracts	259,845	32,628	(39,232)	(6,604)
Total derivative contracts outstanding	259,845	32,628	(39,232)	(6,604)

Notes to the financial statements (continued)
for the financial year ended 31 March 2019

	2019 £'000	2018 £'000*

Note 11. Trading assets

Trading assets[1]:		
Listed equity securities	37,945	3,619
Total trading assets	**37,945**	3,619

[1]Trading assets represent equity securities that the Company holds as part of market maker activities. During the financial year, the Company also engaged in risk trading activities including Facilitation, Exchange Traded Funds and Depositary Receipt conversions in Europe.

Note 12. Financial Investments

Financial Investments[1]:		
Listed equity securities	4,518	450
Total current asset investments	**4,518**	450

[1]Financial investments represent investments in Firstextile AG and Rockrose Energy Plc measured at FVTPL. As at 31 March 2019, the Company holds 226,814 shares (2018: 226,814 shares) in Firstextile AG and 695,088 shares (2018: 899,998 shares) in Rockrose Energy Plc (Market value 2019: £5,664,967; 2018: £3,167,993).

Note 13. Cash at bank and in hand

Cash at bank	1,237	6,625
Cash in hand	130	-
Total cash at bank and in hand	**1,367**	6,625

Note 14. Trading liabilities

Listed equity securities[1]	(37,705)	(170)
Total trading liabilities	**(37,705)**	(170)

[1]Trading liabilities represent short positions in equity securities that the Company holds as part of market maker activities. During the financial year, the Company also engaged in risk trading activities including Facilitation, Exchange Traded Funds and Depositary Receipt conversions in Europe.

Note 15. Creditors: amounts falling due within one year

Due to brokers and customers[1]	828,390	491,547
Amounts owed to other Macquarie Group undertakings[2]	54,550	385,091
Other creditors	4,445	13,887
Total creditors	**887,385**	890,525

[1] Amounts due to brokers and customers are generally 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 2019 the rate applied was LIBOR plus 1.93% (2018: LIBOR plus 2.26%).

*Comparatives have been restated to reflect a change in accounting policy. Please refer to Note 2(xx).

Notes to the financial statements (continued)
for the financial year ended 31 March 2019

	2019 £'000	2018 £'000
Note 16. Provisions for liabilities		
Provision for employee entitlements	(2,542)	(1,047)
Total provisions	**(2,542)**	**(1,047)**
Reconciliation of provisions:		
Balance at the beginning of the financial year	1,047	1,257
Provisions made during the financial year	4,117	672
Provisions used during the financial year	(746)	(917)
Transfers to other Macquarie Group undertakings	(1,882)	13
Foreign exchange movements	6	22
Balance at the end of the financial year	**2,542**	**1,047**
Maturity profile of provision for employee benefits:		
Within 1 year	2,539	715
Between 1 and 2 years	1	332
Between 2 and 5 years	2	-
Balance at the end of the financial year	**2,542**	**1,047**

Note 17. Pension commitments

For employees of the German branch and Switzerland representative office, the Company operates a defined benefit pension scheme with assets held in separately administered funds with Swiss Life. The scheme provides disability and death benefits on the basis of members' salary.

Plan assets held in the funds are governed by local regulations and practice in Germany and Switzerland. Responsibility for the governance of the plans – including investment decisions and contribution schedules – lies jointly with the Company and the boards of directors of the funds.

The pension plan of the Swiss representative office is a contribution based plan with guarantee of a minimum interest credit and fixed conversion rates at retirement. Disability and death benefits are defined as percentage of the insured salary.

The risks of the scheme are as follows:
- Asset volatility: The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit.
- Changes in bond yields: A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan's bond holdings.
- Life expectancy: The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectance will result in an increase in the plan's liabilities.
- Inflation risk: The pension obligations are linked to inflation, and higher inflation will lead to higher liabilities. The majority of the plan's assets are either unaffected by or loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

It provides benefits over the LPP/BVG law, which stipulates the minimum requirement of the mandatory employer's sponsored pension plan in Switzerland. In particular, annual salary up to CHF 84'600 (amount in 2018) must be insured, the financing is age-related with contribution rates in per cent of pensionable salary increasing with age from 7% to 18%. The conversion rate to calculate the annuity based on the accrued savings capital is 6.8% at normal retirement age (65 for men and 64 for women).

The plan must be fully funded under LPP/BVG law on a static basis at all times. In case of underfunding, recovery measures must be taken, such as additional financing from the employer or from the employer and employees, or reduction of benefits or a combination of both.

The company is affiliated to the collective foundation BVG-Sammelstiftung Swiss Life. The collective foundation is a separate legal entity. The foundation is responsible for the governance of the plan, the board is composed of an equal number of representatives from the employers and the employees chosen from all affiliated companies. The foundation has set up investment guidelines, defining in particular the strategic allocation with margins. Additionally, there is a pension committee composed of an equal number of representatives from the Company and the employees of the Company. The pension committee is responsible for the set-up of the plan benefits.

The pension plan is set up as a separate legal entity. The foundation is responsible for the governance of the plan, the board is composed of an equal number of representatives from the employer and the employees. The foundation has set up investment guidelines, defining in particular the strategic allocation with margins.

Notes to the financial statements (continued)
for the financial year ended 31 March 2019

Note 17. Pension commitments (continued)

Macquarie German branch has determined that it has an unconditional right to a refund of surplus assets if the plan is run off until the last member dies, on which basis IFRIC 14 does not cause any change in the balance sheet disclosure before tax. No allowance is made in the benefit obligation for discretionary benefits on the grounds that there is no constructive obligation to provide such benefits. Therefore any benefit increases that are awarded on a discretionary basis are accounted for as a past service cost. An estimate of the Pension Protection Fund levy accrued during the reporting period is included in the allowance for administration expenses.

The most recent actuarial valuations of the Company's defined benefit pension plan was as at 31 March 2019. 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:

	2019 %	2018 %
Discount rates	**0.68**	0.99
Rate of increase in salaries	**1.08**	1.08
Inflation assumptions	**0.78**	0.78

The mortality assumptions used in the valuation of the defined benefit pension liabilities of the Swiss and German plans at 31 March 2019 are summarised in the table below. These are based on the BVG 2015 actuarial tables for the Swiss plan and the Heubech RT 2005 G actuarial tables for the German plans.

	Switzerland 2019	Switzerland 2018	Germany 2019	Germany 2018
Longevity at age 65 – current				
Men	**22.61**	22.50	**20.04**	19.26
Women	**24.65**	24.54	**23.57**	23.32
Longevity at age 65 – future				
Men	**24.40**	24.33	**22.83**	22.53
Women	**26.44**	26.37	**25.83**	26.42

Plan assets and rates of return were as follows:

	Long-term rate of return expected 31 March 2019 %	Value at 31 March 2019 £'000	Long-term rate of return expected 31 March 2018 %	Value at 31 March 2018 £'000
Cash	-0.4	**571**	-0.4	581
Equity	5.4	**441**	5.3	456
Debt Securities	0.5	**1,360**	1.0	1,918
Total market value of assets		**2,372**		2,955
Present value of plan liabilities		**(3,923)**		(4,482)
Net deficit of the plan		**(1,551)**		(1,527)
Deferred tax		**66**		(23)
Net pension plan liability		**(1,485)**		(1,550)

	2019 £'000	2018 £'000
Reconciliation of present value of scheme liabilities:		
Balance at the beginning of the financial year	**4,482**	4,592
Current service cost	**83**	87
Past service cost	**(41)**	-
Interest cost	**66**	56
Contributions by plan participants	**28**	32
Foreign currency exchange rate movements	**40**	(99)
Premiums paid	**(25)**	(25)
Actuarial gain/(loss)	**290**	(161)
Settlements	**(1,000)**	-
Balance at the end of the financial year	**3,923**	4,482

Notes to the financial statements (continued)
for the financial year ended 31 March 2019

	2019 £'000	2018 £'000
Note 17. Pension commitments (continued)		
Reconciliation of fair value of scheme assets:		
Balance at the beginning of the financial year	**2,955**	2,932
Expected return on scheme assets	**43**	33
Actuarial losses	**(22)**	(5)
Foreign currency exchange rate movements	**38**	(83)
Premiums paid	**(25)**	(25)
Contributions paid by participants	**28**	32
Contributions paid by the Company	**70**	71
Settlement from the plan	**(715)**	-
Balance at the end of the financial year	**2,372**	2,955

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 £19,497 (2018: £28,321).

It is estimated that in the year to 31 March 2020, the Company will make additional contributions to the scheme of £64,227.

	2019 £'000	2018 £'000
Amounts recognised in the profit or loss account are as follows:		
Current service cost	**83**	87
Past service cost	**(41)**	-
Expected return on pension scheme assets	**(43)**	(33)
Interest on pension scheme liabilities	**66**	56
Effect of settlements	**(285)**	-
Total charge	**(220)**	110

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

	2019 £'000	2018 £'000
Experience adjustments in plan assets	**24**	5
Experience adjustments in plan liabilities	**292**	(161)
Total actuarial loss recognised in statement of comprehensive income	**316**	(156)

Note 18. Called up share capital and reserves

	2019 Number of shares	2018 Number of shares	2019 £'000	2018 £'000
Called up share capital				
Opening balance of fully paid ordinary shares	**331,601,000**	151,601,000	**331,601**	151,601
Issue of 40,000,000 ordinary shares on 15 June 2017 at £1 per share	**-**	40,000,000	**-**	40,000
Issue of 90,000,000 ordinary shares on 29 June 2017 at £1 per share	**-**	90,000,000	**-**	90,000
Issue of 50,000,000 ordinary shares on 25 October 2017 at £1 per share	**-**	50,000,000	**-**	50,000
Closing balance of fully paid ordinary shares	**331,601,000**	331,601,000	**331,601**	331,601

	2019 £'000	2018 £'000
Share premium account		
Opening balance of share premium account	**4,999**	4,999
Closing balance of share premium account	**4,999**	4,999
Equity contribution from ultimate parent entity in relation to share-based payments		
Opening balance of equity contribution from ultimate parent entity	**2,004**	1,947
Additional equity contribution from ultimate parent entity as a result of deferred tax on share based payments	**123**	57
Total equity contribution from parent entity	**2,127**	2,004

Notes to the financial statements (continued)
for the financial year ended 31 March 2019

	2019 £'000	2018 £'000
Note 19. Other reserves and profit and loss account		
Other Reserves		
Foreign currency translation reserve		
Balance at the beginning of the financial year	**187**	322
Exchange differences arising during the financial year	**(175)**	(135)
Balance at the end of the financial year	**12**	187

Exchange differences arising from the translation of the Company's foreign branches, which have functional currencies other than Pound Sterling, are recognised within reserves.

	2019 £'000	2018 £'000
Retirement benefit reserve		
Balance at the beginning of the financial year	**(257)**	(390)
Actuarial (loss)/gain on pension schemes	**(316)**	156
Deferred tax associated with actuarial (loss)/gain	**66**	(23)
Balance at the end of the financial year	**(507)**	(257)
Total other reserves	**(495)**	(70)
Profit and loss account		
Balance at the beginning of the financial year	**(129,883)**	(116,590)
Change on initial application of IFRS 9 (Note 33)	**(229)**	-
Restated balance as at 1 April 2018	**(130,112)**	(116,590)
Loss attributable to ordinary equity holders of the Company	**(10,508)**	(13,293)
Balance at the end of the financial year	**(140,620)**	(129,883)
Total profit and loss account	**(140,620)**	(129,883)

Note 20. 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; and
- 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 financial year.

To the best of our knowledge at the time, during the current and prior financial 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 website (Note 30).

Notes to the financial statements (continued)
for the financial year ended 31 March 2019

Note 21. 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 29.

Other related party transactions for the year ended 31 March 2019 relating to the Company's investment management and advisory clients outside the group have been disclosed in the following table. "Receivable/(payable) at 31 March 2019" and "expenses to be charged to client" are included within "fees and other receivables" in Note 9. These items and "expenses invoiced to client" have been disclosed in the following table.

Related parties include the Company's advisory clients who are associates and joint ventures of the Macquarie Group.

There are no other related party transactions other than those disclosed in this note.

31 March 2019

Nature of Related party	Corporate advisory fees £'000	Expenses invoiced to client £'000	Expenses to be charged to client £'000	Receivable at 31 March 2019 £'000
Associates and joint ventures of the Macquarie Group	**25,068**	**178**	**-**	**534**

31 March 2018

Nature of Related party	Corporate advisory fees £'000	Expenses invoiced to client £'000	Expenses to be charged to client £'000	Receivable at 31 March 2018 £'000
Associates and joint ventures of the Macquarie Group	23,011	25	57	80

Note 22. Directors' remuneration

Director emoluments paid by the Company for the financial year ended 31 March 2019 were £40,476 (2018: £nil).

During the financial year, all Directors, apart from the Independent Non-Executive 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 of these duties would not be meaningful. Accordingly, no separate remuneration has been disclosed apart from where stated above.

Note 23. Employee equity participation

Macquarie Group Employee Retained Equity Plan ("MEREP")

The ultimate parent entity, MGL continues to operate the MEREP in conjunction with other remuneration arrangements.

Award Types under the MEREP

Restricted Share Units ("RSUs")

A RSU is a beneficial interest in the 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.

Notes to the financial statements (continued)
for the financial year ended 31 March 2019

Note 23. Employee equity participation (continued)

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 will only be offered in jurisdictions where legal or tax rules make the grant of RSUs impractical. DSUs have been granted with an expiry period of up to nine years.

The weighted average fair value of the DSU awards granted during the financial year was AUD $122.03 (2018: AUD $90.20).

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 2018. The fair value of each of these grants is estimated using Macquarie's share price on the date of grant.

While DSUs for 2019 will be granted during 2020, Macquarie begins recognising an expense for these awards (based on an initial estimate) from 1 April 2018. The expense is estimated using the price of MGL ordinary shares as at 31 March 2019 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 financial statements.

For the financial year ended 31 March 2019, compensation expense relating to the MEREP totalled £195,041; (2018: £813,023).

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.

Notes to the financial statements (continued)
for the financial year ended 31 March 2019

Note 24. Contingent liabilities and commitments

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

Note 25. Lease commitments

	2019 £'000	2018 £'000
Non-cancellable operating leases expiring:		
Not later than one year	**601**	602
Later than one year and not later than five years	**2,097**	473
Total operating lease commitments	**2,698**	1,075

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

Note 26. Financial risk management

Risk Management Group

Risk is an integral part of the Macquarie Group's businesses. The main risks faced by the Company are strategic, reputation, conduct, credit, equity, asset, liquidity, market, compliance, operational, legal and tax risks.

The primary responsibility for risk management lies at the business level. Part of the role of all staff throughout Macquarie is to ensure they manage risks appropriately.

RMG is independent of all other areas of the Macquarie Group. RMG approval is required for all material risk acceptance decisions. RMG independently assesses and accepts all material risks and sets prudential limits, consistent with the Board approved Risk Appetite Statement. The Head of RMG, as Macquarie's Regional Chief Risk Officer ("CRO"), is a member of the Executive Committee of MGL and MBL and reports directly to the CEO with a secondary reporting line to the Board Risk Committee.

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).

26.1 Credit risk

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

Ratings and reviews

For internal balances, credit rating of each affiliate entity has been defined based on entity classification into bank or non-bank which is broadly aligned to external credit rating agencies. This is assessed and potentially adjusted on an annual basis, whenever required.

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-
Non-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.

The balances disclosed in the credit risk tables below include only those financial assets and off-balance sheet items that are subject to impairment requirements of IFRS 9. Comparative tables as at 31 March 2018 as published in the 2018 Strategic Report, Directors' Report and Financial Statements do not reflect the adoption of IFRS 9 and hence are not comparable.

Maximum exposure to credit risk

For on-balance sheet instruments, the maximum exposure to credit risk is the carrying amount reported on the balance sheet. For off-balance sheet instruments, the maximum exposure to credit risk generally represents the contractual notional amounts and is disclosed in Note 34.

Prior year comparative credit risk disclosures

The below credit risk disclosures were included in the 2018 financial statements and do not reflect the adoption of IFRS 9. As these tables are not directly comparable to the current 2019 credit risk tables, which are disclosed on an IFRS 9 basis, these 2018 disclosures have been shown separately below and not adjacent to 2019 tables.

Notes to the financial statements (continued)
for the financial year ended 31 March 2019

Note 26. Financial risk management (continued)

Credit risk concentration

The table below details the concentration of credit risk by significant geographical locations and counterparty type of the Company's financial assets and off-balance sheet items subject to impairment requirements of IFRS 9. The geographical location is determined by the domicile and counterparty type.

As at 31 March 2019	Cash at bank and in hand £'000	Brokerage trade debtors £'000	Amounts owed by other Macquarie Group undertakings £'000	Reverse Repurchase Agreements £'000	Cash Collateral on Securities Borrowed £'000	Fees and other receivables £'000	Derivative assets and other trade debtors [1] £'000	Total £'000
Australia								
Financial institutions	-	21,544	63,567	44,552	17,179	-		146,842
Other	-	49,449	91,590	-	-	573	3	141,615
Total Australia	-	70,993	155,157	44,552	17,179	573	3	288,457
Americas								
Financial institutions	-	3,179	-	-	-	-	-	3,179
Other	-	-	277	-	-	-	-	277
Total Americas	-	3,179	277	-	-	-	-	3,456
Asia Pacific								
Financial institutions		21,377	-	-	-	-	-	21,377
Other	-	-	3,663	-	-	-	-	3,663
Total Asia Pacific	-	21,377	3,663	-	-	-	-	25,040
Europe, Middle East & Africa								
Government and public authorities	-	2,641	-	-	-	-	-	2,641
Financial institutions	1,367	666,196	-	-	-	15,831	28,661	712,055
Other	-	43,874	3,664	-	-	290	-	47,828
Total Europe, Middle East & Africa	1,367	712,711	3,664	-	-	16,121	28,661	762,524
Total gross credit risk	1,367	808,260	162,761	44,552	17,179	16,694	28,664	1,079,477

Excludes non-financial assets totalling £2.4 million.

[1] Consists of other trade debtors (Note 9) of £28.7m in Europe, Middle East, & Africa, and immaterial amounts in Australia.

As at 31 March 2018	Cash at bank and in hand £'000	Brokerage trade debtors £'000	Amounts owed by other Macquarie Group undertakings £'000	Reverse Repurchase Agreements £'000	Cash Collateral on Securities Borrowed £'000	Fees and other receivables £'000	Derivative assets and other trade debtors [1] £'000	Total £'000
Australia								
Financial institutions	-	67,079	-	45,129	1,095	36	32,628	145,967
Other	-	537	114,833		-	10,696	-	126,066
Total Australia		67,616	114,833	45,129	1,095	10,732	32,628	272,033
Americas	-							
Financial institutions	-	27,971	-	-	-	-	-	27,971
Other	-	-	3,025	-	-	-	-	3,025
Total Americas		27,971	3,025	-	-	-	-	30,996
Asia Pacific								
Other	-	-	40	-	-	-	-	40
Total Asia Pacific		-	40	-	-	-	-	40
Europe, Middle East & Africa								
Governments	-	-	-	-	-	6	-	6
Financial institutions	6,625	780,315	-	-	-	5,554	23,490	815,984
Other	-	220	3,693	-	-	4,866	-	8,979
Total Europe, Middle East & Africa	6,625	780,535	3,693		-	10,426	23,490	824,969
Total gross credit risk	6,625	876,122	121,791	45,129	1,095	21,158	56,118	1,128,038

Excludes non-financial assets totalling £5.2 million.

[1] Consists of derivatives assets with Macquarie Bank Limited (Note 10) of £32.6m in Australia and other trade debtors (Note 9) of £23.5m in Europe, Middle East, & Africa.

Notes to the financial statements (continued)
for the financial year ended 31 March 2019

Note 26. Financial risk management (continued)

Collateral and credit enhancements held

Cash collateral on securities borrowed and reverse repurchase

The Company enters into stock borrowing and reverse repurchase transactions with counterparties which require lodgement of cash collateral.

Securities borrowed requires the deposit of cash collateral at amounts equal to or greater than the market value of the securities borrowed. Reverse repurchase agreements are collateralised financing arrangements with the market value of the securities provided as collateral generally in excess of the principal amount.

The fair value of collateral held as at 31 March 2019 is £47,545,015 (2018: £7,323,064).

Credit quality of financial assets

The table below discloses, by credit rating grades, the gross carrying amount of financial assets and the exposure to credit risk on loan commitments and financial guarantee contracts of the Company. The credit quality is based on the counterparty's credit rating using the Company's credit rating system and excludes the benefit of any collateral and credit enhancements.

Credit quality - 2019

	Stage I [1] £'000	Stage II [1] £'000	Stage III [1] £'000	Total £'000
Investment Grade				
Cash held with other banks	1,367	-	-	1,367
Amounts owed by other Macquarie group undertakings	63,567	-	-	63,567
Cash collateral on securities borrowed and reverse repurchase agreements	61,731	-	-	61,731
Fee receivable	15,892	-	226	16,118
Trade debtors	702,744	-	-	702,744
Derivatives and other trade debtors	28,664	-	-	28,664
Total investment grade	873,965	-	226	874,191
Non-investment grade				
Fee receivable	576	-	-	576
Trade debtors	105,439	-	-	105,439
Total non-investment grade	106,015	-	-	106,015
Unrated				
Amounts owed by other Macquarie group undertakings	99,194	-	-	99,194
Trade debtors	77	-	-	77
Total unrated	99,271	-	-	99,271
Total [2]	1,079,251	-	226	1,079,477
Financial assets by ECL stage				
Cash held with other banks	1,367	-	-	1,367
Amounts owed by other Macquarie group undertakings	162,761	-	-	162,761
Cash collateral on securities borrowed and reverse repurchase agreements	61,731	-	-	61,731
Fee receivable	16,468	-	226	16,694
Trade debtors	808,260	-	-	808,260
Derivatives and other trade debtors	28,664	-	-	28,664
Total financial assets by ECL stage [2]	1,079,251	-	226	1,079,477

[1] *For definitions of stage I, II and III, refer to Note 2(x) Expected credit losses.*

[2] For the purposes of this disclosure gross carrying amount of the financial assets measured at amortised cost represents the amortised cost before ECL allowance and gross carrying amount of financial assets measured at FVOCI represents amortised cost before fair value adjustments and ECL allowance.

Notes to the financial statements (continued)
for the financial year ended 31 March 2019

Note 26. Financial risk management (continued)

Credit quality - 2018	Neither past due nor individually impaired				
	Investment Grade	Non Investment Grade	Unrated	Past due or individually impaired	Total
	£'000	£'000	£'000	£'000	£'000
Cash at bank and in hand					
Financial institutions	6,625	-	-	-	6,625
Other	-	-	-	-	-
Brokerage trade debtors					
Financial institutions	791,914	80,776	2,675	-	875,365
Other	220	-	537	-	757
Amounts owed by other Macquarie Group undertakings					
Other	-	-	121,791	-	121,791
Reverse repurchase agreements and cash collateral on Securities Borrowed					
Other	46,224	-	-	-	46,224
Fees and other receivables					
Governments	-	-	7	-	7
Financial institutions	314	-	5,275	-	5,589
Other	1,276	1,129	9,844	3,313	15,562
Derivative assets					
Financial institutions	32,628	-	-	-	32,628
Other debtors					
Financial institutions	23,490	-	-	-	23,490
Other					
Total	902,691	81,905	140,129	3,313	1,128,038

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

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

2019	Past due but not individually impaired					
	Less than 30 days	31 to 60 days	61 to 90 days	More than 90 days	Individually Impaired	Total
Class of Financial Asset	£'000	£'000	£'000	£'000	£'000	£'000
Fees and other receivables						
Other	-	1,385	201	1,519	226	3,331
Total	-	1,385	201	1,519	226	3,331

2018	Past due but not individually impaired					
	Less than 30 days	31 to 60 days	61 to 90 days	More than 90 days	Individually Impaired	Total
Class of Financial Asset	£'000	£'000	£'000	£'000	£'000	£'000
Fees and other receivables						
Other	-	2,223	-	842	248	3,313
Total	-	2,223	-	842	248	3,313

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 (x).

26.2 Liquidity risk

Liquidity risk is the risk of an entity encountering difficulty in meeting obligations with respect to its financial liabilities. Liquidity risk within the Company is managed within limits established by RMG and the Treasury department and approved by the Board of Directors. The Company's management of its liquidity risk is in accordance with the Macquarie Group wide risk management framework.

Notes to the financial statements (continued)
for the financial year ended 31 March 2019

Note 26. Financial risk management (continued)

On 29 March 2016, the Company entered into a share 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. On 6 November 2017, the Company further amended the agreement which increases the maximum number of shares for which the Company may issue to 110,000,000. The latest date on which the Company may issue a share subscription notice under the amended agreement is 31 March 2020.

Through 31 December 2018, under the guarantee arrangements, the majority of MCEL's credit risks arising from the failed trades in the Cash Equities business and advisory fees receivable were fully transferred to its immediate parent company, MCHPL UK, and ultimate parent company, MGL. Credit exposures, approvals and limits are controlled within the Macquarie Group's credit risk framework, as established by RMG.

Contractual undiscounted cash flows

The table that follows 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. Deposits are reported at their contractual maturity. 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.

As at 31 March 2019	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	Over 5 years £'000	Total £'000
Due to brokers and customers	-	828,390	-	-	-	828,390
Amounts owed to other Macquarie Group undertakings	54,550	-	-	-	-	54,550
Trading portfolio liabilities	-	37,705	-	-	-	37,705
Other creditors	-	985	-	-	-	985
Total undiscounted cash flows	54,550	867,080	-	-	-	921,630

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

As at 31 March 2018	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	Over 5 years £'000	Total £'000
Due to brokers and	11,679	479,868	-	-	-	491,547
Amounts owed to other Macquarie Group undertakings	385,091	-	-	-	-	385,091
Trading portfolio liabilities	-	170	-	-	-	170
Other creditors	9,631	650	-	-	-	10,281
Total undiscounted cash flows	406,401	480,688	-	-	-	887,089

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

26.3 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 rigour 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 that follows indicates the Company's exposure to movements in interest rates as at 31 March 2019 and 2018.

Note 26. Financial risk management (continued)

	Movement in basis points	2019 Sensitivity of profit before tax £'000	2018 Sensitivity of profit before tax £'000
Australian Dollar	+50	(102)	-
Great British Pound	+50	752	(24)
Euro	+50	(249)	39
Swiss Franc	+50	81	1
United States Dollar	+50	(593)	(65)
Other currencies	+50	609	12
Australian Dollar	-50	102	-
Great British Pound	-50	(752)	24
Euro	-50	249	(39)
Swiss Franc	-50	(81)	(1)
United States Dollar	-50	593	65
Other currencies	-50	(609)	(12)

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 Pound Sterling 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, Swiss Franc, and United States Dollar as shown below.

	Movement of +10%		Movement of -10%	
	2019 Sensitivity of profit before tax £'000	2018 Sensitivity of profit before tax £'000	2019 Sensitivity of profit before tax £'000	2018 Sensitivity of profit before tax £'000
Australian Dollar	(751)	(466)	751	466
Euro	38	(103)	(38)	103
Hong Kong Dollar	2	(10)	(2)	10
Swiss Franc	651	(262)	(651)	262
United States Dollar	145	490	(145)	(490)
Other currencies	7	(7)	(7)	7

Note 27. 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.

Notes to the financial statements (continued)
for the financial year ended 31 March 2019

Note 27. 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; and
- 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 2019 and 2018, the fair values of all financial assets and liabilities are predominantly classified as level 2 in the fair value hierarchy, except for cash in bank and on hand of £1,366,743 (2018: £6,625,037), trading assets of £37,945,388 (2018: £3,618,693) and trading liabilities of £37,704,685 (2018: £169,965) classified as level 1 in the fair value hierarchy and equity investment in Firstextile AG of £nil (2018: £nil) classified as level 3. The fair value of Firstextile AG is estimated on the basis of pricing models or other recognised valuation techniques.

Note 28. 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(vi). 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]					
	Subject to offsetting on balance sheet			Related amounts not offset		
	Gross amounts	Amounts offset	Net amounts presented	Cash and other financial collateral	Net amount	Balance sheet total
2019	£'000	£'000	£'000	£'000	£'000	£'000
Amounts owed by other Macquarie Group undertakings	593,269	(430,508)	162,761	-	162,761	162,761
Reverse repurchase agreements	44,552	-	44,552	(44,552)	-	44,552
Cash collateral on securities borrowed	17,179	-	17,179	(17,179)	-	17,179
Total assets	**655,000**	**(430,508)**	**224,492**	**(61,731)**	**162,761**	**224,492**
Amounts owed to other Macquarie Group undertakings	(485,058)	430,508	(54,550)	-	(54,550)	(54,550)
Total liabilities	**(485,058)**	**430,508**	**(54,550)**	**-**	**(54,550)**	**(54,550)**

[1]There are no amounts not offset related to other recognised financial instruments.

Notes to the financial statements (continued)
for the financial year ended 31 March 2019

Note 28. Offsetting financial assets and financial liabilities (continued)

	Amounts subject to enforceable netting arrangements[1]					
	Subject to offsetting on balance sheet			Related amounts not offset		
	Gross amounts	Amounts offset	Net amounts presented	Cash and other financial collateral	Net amount	Balance sheet total
2018	£'000	£'000	£'000	£'000	£'000	£'000
Amounts owed by other Macquarie Group undertakings	380,684	(258,893)	121,791	-	121,791	121,791
Reverse repurchase agreements	45,129	-	45,129	(44,644)	485	45,129
Cash collateral on securities borrowed	1,095	-	1,095	(1,095)	-	1,095
Total assets	**426,908**	**(258,893)**	**168,015**	**(45,739)**	**122,276**	**168,015**
Amounts owed to other Macquarie Group undertakings	(643,984)	258,893	(385,091)	-	(385,091)	(385,091)
Total liabilities	**(643,984)**	**258,893**	**(385,091)**	**-**	**(385,091)**	**(385,091)**

[1]There are no amounts not offset related to other recognised financial instruments.

Offsetting on balance sheet
Amounts are offset in accordance with the criteria described in Note 2(vi) 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 29. Ultimate parent undertaking
At 31 March 2019, 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. 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 Financial Holdings Pty Limited ("MFHPL"), a company incorporated in Australia. Copies of the consolidated financial statements for MGL and MFHPL can be obtained from the Company Secretary, Level 6, 50 Martin Place, Sydney, New South Wales, 2000 Australia.

Note 30. 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.

Note 31. Events after the reporting period
As at 31 March 2019, the Company had an outstanding claim in relation to Corporate advisory fees, which was subsequently resolved by a High Court judgement handed down in June 2019. The outstanding amount of £2.8m has been received in full, though could be subject to an appeal by the defendant.

There were no other material events subsequent to 31 March 2019 that have not been reflected in the financial statements.

Notes to the financial statements (continued)
for the financial year ended 31 March 2019

Note 32. Measurement categories of financial instruments

The following table contains information relating to the measurement categories of financial instruments under IAS 39 of the Company. The descriptions of measurement categories are included in Note 2(vi). The methods and significant assumptions that have been applied in determining the fair values of financial instruments are disclosed in Note 27 – Fair value of financial assets and financial liabilities.

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

	Financial Instruments			
	Carried at fair value			
	FVTPL	Amortised cost	Non-financial instruments	Total
	£'000	£'000	£'000	£'000
Fixed assets				
Tangible assets	-	-	168	168
Current assets				
Deferred tax assets	-	-	1,520	1,520
Debtors	-	1,081,242	-	1,081,242
Trading assets	37,945	-	-	37,945
Derivative assets	38	-	-	38
Financial investments	4,518	-	-	4,518
Cash at bank and in hand	-	1,367	-	1,367
Total assets	**42,501**	**1,082,609**	**1,688**	**1,126,798**
Current liabilities				
Trading liabilities	(37,705)	-	-	(37,705)
Derivative liabilities	(3)	-	-	(3)
Creditors: amounts falling due within one year	-	(887,385)	-	(887,385)
Total current liabilities	**(37,708)**	**(887,385)**	**-**	**(925,093)**
Other liabilities				
Provisions for liabilities	-	-	(2,542)	(2,542)
Pension liability	-	-	(1,551)	(1,551)
Total other liabilities	**-**	**-**	**(4,093)**	**(4,093)**

For previous year comparatives information, refer to Note 33 Changes on initial application of IFRS 9.

Notes to the financial statements (continued)
for the financial year ended 31 March 2019

Note 33. Changes on initial application of IFRS 9

The below summarises the presentation and carrying amount changes in the Company's balance sheet as a result of the adoption of IFRS 9 as at 1 April 2018.

Presentational changes

On adoption of IFRS 9 the Company elected to make the following presentational changes to certain of its financial assets and liabilities in order to better reflect the nature of the underlying assets and liabilities:

(1) Equity investments of £3,618,693, previously presented as 'Investments' are now presented as 'Trading assets'.
(2) Equity investments of £450,000, previously presented as 'Available for sale' within Investments are now presented within 'Financial investments'.

Classification and measurement

Following the adoption of IFRS 9, the following classification and measurement changes arose:

(1) Equity investments of £450,000 previously classified as 'Available for sale' were re-classified as fair value through profit or loss. Available for sale reserves of £nil were transferred to the profit and loss account.

Impairment

The following table provides a reconciliation between the closing impairment allowance for financial assets under IAS 39 (incurred credit loss) to the opening impairment allowance determined in accordance with IFRS 9 (ECL) as at 1 April 2018. Changes to the impairment allowance from IAS 39 to IFRS 9 are due to the reclassification of financial assets between amortised cost and fair value and the remeasurement of impairment allowances under IFRS 9's new ECL requirements.

Financial assets	Measurement Category under IAS 39	Measurement category under IFRS 9	Loss allowance under IAS 39 £'000	Re-classification £'000	Re-measurement £'000	Adjusted in fair value at transition date £'000	ECL allowance under IFRS 9 £'000
Fees receivable	Amortised cost	Amortised cost	(248)		45		(203)
Amounts owed by other Macquarie Group undertakings	Amortised cost	Amortised cost	-	-	(278)	-	(278)
Total expected credit loss allowance			**(248)**	**-**	**(233)**	**-**	**(481)**

The tax effect of the adjustment above is £3,884.

Notes to the financial statements (continued)
for the financial year ended 31 March 2019

Note 34. Expected credit losses

At the reporting date the Company has presented the ECL provisions in the balance sheet as follows:

– Financial assets measured at amortised cost – as a deduction to the gross carrying amount.

Transitional Impact

On transition to IFRS 9 on 1 April 2018 the Company's total credit impairment allowances increased by £233,118 as a result of the following principle differences between IAS 39's incurred credit loss requirements and IFRS 9's ECL impairment requirements:

– *Forward looking information (FLI)*: IFRS 9 requires the calculation of the ECL to include FLI, which incorporates macro-economic information. Previously IAS 39 required the consideration of historical information that was updated to reflect current conditions at the balance sheet date.

– *A 12-month minimum ECL requirement (stage I)*: IFRS 9 requires a 12-month ECL impairment allowance to be held on all exposures, unless the contractual period is shorter.

– *Significant increase in credit risk (SICR) (stage II)*: IFRS 9 requires the Company to determine whether there has been a SICR since initial recognition, and in such instances, to classify the exposure as stage II and recognise a lifetime expected credit loss.

– *Off balance sheet exposures*: IFRS 9's scope includes certain off balance sheet exposures such as undrawn credit commitments, financial guarantee contracts and letters of credit for which an ECL is required to be recognised. No impairment allowance was specifically required to be recognised under IAS 39.

The table below presents the gross exposure and related ECL allowance for each class of assets and off-balance sheet items subject to impairment requirements of IFRS 9[(1)(2)].

	As at 31 March 2019		As at 1 April 2018	
	Gross exposure £'000	ECL allowance £'000	Gross exposure £'000	ECL allowance £'000
Fees receivable[3]	16,936	242	21,361	203
Amounts owed by other Macquarie Group undertakings[4]	162,868	108	122,069	278
Total credit impaired financial assets	**179,804**	**350**	143,430	481

[1]The Company has not restated comparative information on adoption of IFRS 9. Accordingly, amounts prior to 1 April 2018 are not disclosed here.

[2]Gross exposure represents the carrying value of assets subject to impairment requirements of IFRS 9. Financial assets measured at fair value through profit & loss are not subject to impairment and are therefore not included in the above table.

[3]Balance comprises of Stage 3 provision on fees receivable in the amount of £225,710 and Stage 1 provision on fees receivable in the amount of £16,528.

[4]Balance comprises of Stage 1 related party receivables from Macquarie Corporate Holdings Pty Limited (UK Branch).

The table below represents the reconciliation from the opening balance to the closing balance of ECL allowances.

	Fees receivable £'000	Amounts owed by other Macquarie Group undertakings £'000	Total £'000
Balance as at 31 March 2018	**248**	**-**	**248**
Change on initial application of IFRS 9	(45)	278	233
Balance as at 1 April 2018	**203**	**278**	**481**
Impairment reversal (Note 2(x))	41	-	41
Amounts written off, previously provided for	-	(2)	(2)
Foreign exchange movement	(2)	(168)	(170)
Balance as at 31 March 2019	**242**	**108**	**350**

Notes to the financial statements (continued)
for the financial year ended 31 March 2019

Note 35. Discontinued operations

As part of a strategic decision, on 8 June 2018, the Company completed transfer of the Cargill business to Macquarie Commodities Trading Pty Limited. Total net assets were transferred at fair value with no gain or loss recognised in the profit and loss account. As a result of the transfer of the Cargill business in the current financial year, it is considered a discontinued operation.

Note 36. Pledged assets and transfers of financial assets

Transfer of financial assets

The Company enters into transactions in the normal course of business that transfer financial assets recognised in the balance sheet to other entities in the Macquarie Group. Depending on the criteria discussed in Note 2 (vi), the Company may be unable to derecognise the transferred asset. The following transactions typically result in the transferred assets continuing to be recognised in full.

Securities loaned

Equity instruments subject to lending agreements continue to be recognised on the balance sheet and an associated liability is recognised for the consideration received. In certain arrangements, the equity instruments transferred cannot otherwise be pledged or sold by the transferee, however the assets may be substituted if the required collateral is maintained.

The table below includes those assets not derecognised due to securities lending agreements:

	As at 31 March 2019		As at 31 March 2018	
	Carrying amount of transferred assets	**Carrying amount of associated liabilities**	Carrying amount of transferred assets	Carrying amount of associated liabilities
	£'000	**£'000**	£'000	£'000
Financial assets not derecognised due to repurchase and securities lending agreements:				
Trading assets	**34,957**	**30,021**	-	-
Financial investments	**4,518**	**5,078**	-	-

Assets pledged as security

Assets pledged as security for liabilities include £34,957,114 (2018: £nil) of securities included under trading assets and £4,518,072 (2018: £nil) of financial investments pledged as collateral for stock lending arrangements with other companies in the Macquarie Group. These transactions are governed by standard industry agreements. In each case, the transferee has the right to sell or re-pledge the value of securities received.

Assets received as security

The Company receives equity instruments from other companies in the Macquarie Group in stock borrowing arrangements. These transactions are governed by standard industry agreements. The Company posts cash collateral in connection with these transactions. The net collateral posted of £17,179,143 (2018: £1,095,000) is recognised in 'cash collateral on securities borrowed' within Debtors (Note 9).

The Company is permitted to sell or re-pledge certain equity instruments received in these arrangements. The fair value of such collateral is £47,545,015 (2018: £7,323,064), of which £37,704,685 (2018: £169,965) was sold or re-pledged. The Company has the obligation to return these instruments.

Reverse repurchase agreements

The Company enters into reverse repurchase transactions, where the Company purchases securities under an agreement to resell. The fair value of the securities received is £44,542,856 (2018: £43,549,075). The collateral posted of £44,552,088 (2018: £45,129,416) is recognised in 'reverse repurchase agreements' within Debtors (Note 9).

Country by country reporting disclosure

Region	Activity	Turnover £'000	Profit / (loss) on ordinary activities before taxation £'000	Corporation tax paid £'000	Average FTE employees number
Germany	Corporate advisory services	37,823	5,995	220	1
Ireland	Corporate advisory services	271	(532)	-	1
Netherlands	Corporate advisory services	8,261	4,810	24	3
Switzerland	Cash equity trade introductions	5,508	3,627	846	3
UK	Corporate advisory services, institutional stockbroking, market making, commodities trading	170,023	(23,654)	-	1
Intercompany Elimination		(37,023)	-	-	-
Total		**184,863**	**(9,754)**	**1,090**	**9**

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.

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

Report on the audit of the country-by-country information

Opinion

In our opinion, Macquarie Capital (Europe) Limited's country-by-country information for the year ended 31 March 2019 has been properly prepared, in all material respects, in accordance with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

We have audited the country-by-country information for the year ended 31 March 2019 in the Country-by-Country Disclosure.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the country-by-country information section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the country-by-country information in the UK, which includes the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter - Basis of preparation

In forming our opinion on the country-by-country information, which is not modified, we draw attention to note 1 of the country-by-country information which describes the basis of preparation. The country-by-country information is prepared for the directors for the purpose of complying with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013. The country-by-country information has therefore been prepared in accordance with a special purpose framework and, as a result, the country-by-country information may not be suitable for another purpose.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the country-by-country information is not appropriate; or
- the directors have not disclosed in the country-by-country information any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the country-by-country information is authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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

Responsibilities for the country-by-country information and the audit

Responsibilities of the Directors for the country-by-country information

The Directors are responsible for the preparation of the country-by-country information in accordance with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013 as explained in the basis of preparation in note 1 of the country-by-country disclosure and accounting policies in note 2 of the financial statements, and for determining that the basis of preparation and accounting policies are acceptable in the circumstances. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of country-by-country information that is free from material misstatement, whether due to fraud or error.

In preparing the country-by-country information, the Directors are responsible for assessing the companies' ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the companies or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the country-by-country information

It is our responsibility to report on whether the country-by-country information has been properly prepared in accordance with the relevant requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

Our objectives are to obtain reasonable assurance about whether the country-by-country information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this country-by-country information.

A further description of our responsibilities for the audit of the country-by-country information is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinion, has been prepared for and only for the company's directors in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013 and for no other purpose. We do not, in giving this opinion, 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.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

26 July 2019