

Macquarie Capital (Europe) Limited

COMPANY NUMBER 03704031

Strategic Report, Directors' Report and Financial Statements
for the financial year ended 31 March 2023



The Company's registered office is:

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London EC2Y 9HD
United Kingdom



Macquarie Capital (Europe) Limited

2023 Strategic Report, Directors' Report and Financial Statements Contents

	Page
Strategic Report	2
Directors' Report	11
Profit and loss account	15
Statement of comprehensive income	16
Balance sheet	17
Statement of changes in equity	18
Notes to the financial statements	
Note 1. Company information	19
Note 2. Basis of preparation	19
Note 3. Significant accounting policies	20
Note 4. Loss before taxation	33
Note 5. Employee information	34
Note 6. Tax on loss	34
Note 7. Tangible assets	35
Note 8. Cash at bank and in hand	36
Note 9. Financial investments	36
Note 10. Debtors	36
Note 11. Held for sale assets	36
Note 12. Expected credit losses	37
Note 13. Deferred tax assets/(liabilities)	39
Note 14. Creditors: amounts falling due within one year	40
Note 15. Held for sale liabilities	40
Note 16. Creditors: amounts falling due after more than one year	40
Note 17. Provisions for liabilities	40
Note 18. Pension commitments	41
Note 19. Called up share capital and share premium reserves	44
Note 20. Contribution from ultimate parent entity in relation to share-based payments	44
Note 21. Reserves and profit and loss account	44
Note 22. Capital management strategy	45
Note 23. Related party information	45
Note 24. Directors' remuneration	46
Note 25. Employee equity participation	46
Note 26. Contingent liabilities and commitments	48
Note 27. Financial risk management	49
Note 28. Measurement categories of financial instruments	59
Note 29. Fair values of assets and liabilities	60
Note 30. Discontinued operations	62
Note 31. Offsetting financial assets and financial liabilities	63
Note 32. Pledged assets and transfers of financial assets	65
Note 33. Ultimate parent undertaking	65
Note 34. Events after the reporting period	65
Independent Auditors' Report	66
Country by Country Reporting	
Country by country reporting information	70
Independent Auditors' Report	71

Macquarie Capital (Europe) Limited

Strategic Report for the financial year ended 31 March 2023

In accordance with a resolution of the Directors (the "Directors") of Macquarie Capital (Europe) Limited (the "Company" or "MCEL"), 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 2023 ("current financial year") were:

Corporate Advisory

The Company undertakes corporate advisory and debt capital market services to clients based in the United Kingdom ("UK") (and other countries as permitted by relevant regulations). MCEL provides UK Markets in Financial Instruments Directive ("MiFID II") regulated corporate advisory services to professional clients and eligible counterparties in the UK.

Cash Equities

The Company operates an agency stockbroking business servicing institutional clients in the UK and certain jurisdictions within Europe where cross border licenses, exemptions or temporary permissions regimes are currently available. The Company specialises in single stock execution for clients into the Asia-Pacific ("APAC") markets via Macquarie Group's (Macquarie Group comprising Macquarie Group Limited ("MGL"), the ultimate parent of the Company and its subsidiaries) affiliated entities, in addition to global program trading, Exchange Traded Funds ("ETF") execution, and transition management on behalf of its clients. Settlement operations have been outsourced to a third party.

The Company continues to expand its existing cooperation agreement with Kepler Cheuvreux in order to focus on the Asia Pacific region and increase its footprint for Macquarie Capital ("MacCap") Equities. This strategic partnership allows the Company to utilise Kepler Cheuvreux's European research in the Asia Pacific region, and also the ability to leverage their significant distribution capabilities within Europe to sell its Asia Pacific and Global Program Trading product information. The Company does this within the UK and certain jurisdictions within Europe.

The Company has an unregulated branch in Ireland that continues to operate as an employment entity for non-regulated technical staff in MacCap. The Company maintains a Representative Office in Geneva, also an employment office, that is not authorised to conduct regulated business activities in Switzerland by the Swiss Financial Market Supervisory Authority ("FINMA"). MCEL is no longer able to passport into Europe via its European branches since the withdrawal of the UK from the European Union ("EU") (known as "Brexit") and therefore, from 1 January 2021, ceased to undertake regulated activity in the EU unless cross border licenses, exemptions or temporary permissions regimes are currently available. The branch operations in Germany, Netherlands and France were transferred to Macquarie Capital France Société Anonyme ("MCF") in the financial year ending 31 March 2021 and the operations of the representative office in Spain were transferred to MCF in the financial year ending 31 March 2022.

The Netherlands branch was deregistered as at 31 March 2023. The deregistration of the representative office in Spain has been approved by the Board as at 31 March 2023 and will be finalised in the financial year ending 31 March 2024. The French and German branches are planned to be deregistered in the future. Any remaining branch transactions in the current financial year for branches that are in the process of being deregistered are primarily related to internal charges. Please refer to Note 30 *Discontinued operations* for further details.

Review of operations

The loss for the financial year ended 31 March 2023 was £4,980,000, as compared to the loss of £2,106,000 in the previous financial year.

The net operating loss for the financial year ended 31 March 2023 was £5,174,000 as compared to the net operating loss of £483,000 in the previous year. The year-on-year change was due to a decrease in advisory income and brokerage commission income, partially offset by a decrease in administrative expenses.

Total administrative expenses for the financial year ended 31 March 2023 were £86,905,000, a decrease of 18 percent from £106,454,000 in the previous financial year. The year-on-year change was due to a decrease in advisory and brokerage expenses.

Macquarie Capital (Europe) Limited

Strategic Report

for the financial year ended 31 March 2023 (continued)

Review of operations (continued)

As at 31 March 2023, the Company had net assets, including the pension liability, of £172,542,000 (2022: £176,710,000). The year-on-year change was due to transactions owed to and by other Macquarie Group undertakings.

As at 31 March 2023, the Company had cash at bank and in hand of £10,551,000 (2022: £11,317,000) and financial investments of £4,970,000 (2022: £4,999,000). Cash at bank and financial investments are held to comply with the Financial Conduct Authority ("FCA") regulatory liquidity requirements that came into effect as of 1 January 2022.

The German branch contributed a loss of £302,000 (2022: loss of £269,000), the Irish branch contributed a loss of £1,276,000 (2022: loss of £893,000), and the French branch contributed a profit of £44,000 (2022: loss of £68,000) to the overall loss before taxation of £4,828,000 (2022: loss of £2,908,000).

During the current and prior financial years, the Company has continued to meet its external capital requirements as a MiFID Prudential Sourcebook for Banks, Building Societies and Investment Firms ("MIFIDPRU") investment firm regulated by the FCA, and no breaches have occurred.

There has been no change to the approach of managing capital during the financial year ended 31 March 2023 by the Company in comparison to the prior financial year. At all times during the financial year ended 31 March 2023 the Company was in compliance with both internally and externally imposed capital requirements to which it is subject. As such, there was no consequence of non-compliance imposed upon the Company.

Principal risks and uncertainties

The Company is responsible for its own risk acceptance decisions. From the perspective of the Company, the principal risks are credit risk, liquidity risk, market risk, operational risk, group risk, conduct risk, regulatory & compliance risk, strategic/business risk, environmental & social risk, financial crime risk, and technology & cyber risk. The principal risks of the Company are monitored by the relevant division of the Risk Management Group ("RMG") of MGL. There are currently no plans to substantially change the nature of the business going forward.

The range of factors that may influence the Company's short-term outlook include:

- broader market volatility and weaker consumer sentiments driven by the recent stress in the banking sector and ongoing macro-economic uncertainty, although the direct impact on the firm is difficult to substantiate it is likely to persist.
- global inflation and interest rates, and the impact of geopolitical events.
- the uncertainty from the ongoing Russian-Ukraine conflict.
- potential tax or regulatory changes and tax uncertainties.
- completion of period-end reviews and the completion rate of transactions.
- the geographic composition of income and the impact of foreign exchange rates.

The risks presented by the Russia-Ukraine conflict are managed by the Company within the framework of the overall strategy and risk management structure of the Macquarie Group. The continued impact and uncertainty surrounding the Russia-Ukraine conflict have been monitored throughout the year for the Company by RMG. At the date of approving the accounts, there was no significant direct financial impact, and the Company has continued to operate effectively throughout the period.

Macquarie Capital (Europe) Limited

Strategic Report

for the financial year ended 31 March 2023 (continued)

Principal risks and uncertainties (continued)

The Directors have assessed the impact of the macroeconomic challenges that include but are not limited to, persistently high inflation, the effects of rising interest rates and the impacts of tighter monetary policy from central banks that the Company experienced in the current financial year. This assessment is comprised of stress testing scenarios which forms part of the Internal Capital Adequacy and Risk Assessment ("ICARA") process. The scenario analysis helps to understand the impact of these events on the firm (together with idiosyncratic scenarios) and manage these risks on a forward-looking basis. Changing market conditions have influenced the volume and timing of client transactions across the businesses (both private and public side activities), which have been subdued over the course of the current financial year. The Directors have concluded, although the full economic impacts are difficult to substantiate, these challenges have had an impact on the Company, and the impact on its clientele is likely to persist at least in the short term. The Company is well placed to respond to these risks as well as identify opportunities that can emerge from the macroeconomic challenges through disciplined risk management and strategic decisions (included but not limited to, targeting resilient sectors).

The Company is not subject to any other principal risks or uncertainties, over and above those stated.

Risk management

Risk is an integral part of the Macquarie Group's business. The principal risks faced by the Company are identified annually by an internal review process and are credit risk, liquidity risk, market risk, operational risk, group risk, conduct risk, regulatory & compliance risk, strategic/business risk, environmental & social risk, financial crime risk, and technology & cyber risk. Responsibility for management of these risks lies with the individual businesses giving rise to them. It is the responsibility of RMG to ensure appropriate assessment and management of these risks.

As 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 MGL Board. The risks to which the Company is exposed are managed on a globally consolidated basis for MGL as a whole, including all subsidiaries, in all locations. Macquarie Group's internal approach to risk ensures that risks in subsidiaries are subject to the same rigour and risk acceptance decisions.

Financial risk management

Credit risk

Credit risk is the risk that a counterparty will fail to complete its contractual obligations when they fall due. 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. Liquidity management is performed centrally by Group Treasury, with oversight from the Asset and Liability Committee ("ALCO"). The Directors have adopted the risk model used by the Macquarie Group, as approved by RMG. This model is incorporated into the Macquarie Group's risk management systems to enable the Company to manage this risk effectively.

Market Risk

Market risk is the risk of adverse changes in the value of the Company's trading positions as a result of changes in market conditions. 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.

Strategic Report for the financial year ended 31 March 2023 (continued)

Risk management (continued)

Non-Financial risk management

Operational risk

The Company operates within a global framework which is applied consistently across all business lines within the Macquarie Group for the identification, monitoring, management and reporting of operational risk. Operational risk management occurs largely as a part of the normal day to day running of each business with the framework, policies and oversight being managed at a central level by RMG. The framework can be tailored to the risk profile of each business, but each business must comply with certain mandatory aspects.

Group risk

The risk that the actions and activities of one part of the Macquarie Group may compromise the financial, operational and reputational position of the Company. Management of financial group risk is embedded across underlying governance documents and committees relating to financial exposures. Management of reputation risk is embedded throughout the risk management framework and considered in the assessment of all risk types. Intragroup outsourcing is governed in accordance with the internal Macquarie Group's policies.

Conduct risk

The risk of behaviour, action or omission by individuals employed by, or on behalf of, the Company or taken collectively in representing the Company that may have a negative outcome for the Company's clients, counterparties, the communities and markets in which it operates, its staff, or the Company. The Company's approach to conduct risk management is integrated in its risk management framework.

Regulatory & compliance risk

The risk of failure to comply with laws, regulations, rules statements of regulatory policy, and codes of conduct applicable to the Company's financial services and other regulated activities. Frameworks have been established to manage the identification, escalation, management and reporting of regulatory and compliance risks across the Macquarie Group. These frameworks include policies, guidelines and standards which have been implemented to guide compliance.

Strategic / business risk

The risk of the Company's business model being inadequate in the medium to long term. 'Strategic and Business' risk is managed and controlled through the annual strategy and business planning process. The Company Board ("Board") has regular oversight of business risk in the Company.

Environmental & social risk (including climate change)

The risk of reputational or financial impacts due to failure to identify or manage material environmental or social issues arising from or with respect to the Company's investments, financing, client activities or supply chain. Under the Code of Conduct all staff share responsibility for identifying and managing environmental and social issues as part of normal business practice. Staff are supported by the RMG environmental and social risks ("ESR") team, as well as through access to the environmental and social risk training.

Financial crime risk

The risk of knowingly or unknowingly perpetuating or helping parties to commit or to further potentially illegal activity through the Company. Financial crime risk encompasses the risks of money laundering, terrorism financing, bribery and corruption, and sanctions. The RMG Financial Crime Risk team ('FCR') manages and oversees financial crime risk, engages with regulators and maintains and monitors the effectiveness of global financial crime risk frameworks, programs and policies for the Macquarie Group.

Macquarie Capital (Europe) Limited

Strategic Report for the financial year ended 31 March 2023 (continued)

Risk management (continued)

Non-Financial risk management (continued)

Technology & cyber risk

The risk of loss resulting from failure, inadequacy or misuse of technology and technology resources owned, managed or supplied by the Company including technology outsourced and/or managed on behalf of the Company. The RMG Operational Risk & Governance team is responsible for the independent oversight of technology risk.

Cyber and information security risks threaten the confidentiality, integrity and availability of information systems utilized by MCEL, technology, data and ultimately, the achievement of business objectives. Technology and cyber risk controls are owned by the MacCap business group and are reported in the MacCap Tech Risk and Control Self-Assessment Guide ("RCSA").

Section 172 (1) Statement

The Directors of the Company consider, both individually and collectively, that they have acted in the way that would most likely promote the success of the Company for the benefit of its members as a whole (having regard to relevant stakeholders and matters set out in section 172(1)(a-f) of the Companies Act 2006) in the decisions taken during the financial year ended 31 March 2023. To the extent necessary for an understanding of the development, performance and position of the Company, an explanation of how the Directors considered these matters is set out in the Directors' report on pages 11 to 14.

Consideration of these factors and other relevant matters, including in particular the Company's regulatory environment as a UK investment firm categorised as "Enhanced" under the Financial Conduct Authority's ("FCA") Senior Managers and Certification Regime, is embedded into all the Board decision-making, strategy development and risk assessment throughout the financial year. Our Section 172 statement focuses on matters of strategic importance to the Company, and the level of information disclosed is consistent with the size and the complexity of the business.

During the year, the Directors considered the Company's stakeholders to be its direct and indirect shareholders, employees, regulators, internal and external customers.

The following sets out how, in discharging their duties, the Directors have had regard to each of the matters outlined in s172 of the Companies Act 2006, including regard for the interests of the Company's stakeholders.

(a) Likely consequences of any decision in the long term:

The Company is a wholly owned subsidiary of MGL and the Macquarie Group and therefore complies with the policies and practices, ethical and business standards that are set by the MGL Board and are described in the MGL Annual Report. The following statement should therefore be read in conjunction with the MGL Annual Report.

Any decision taken by Directors is aligned to the strategy of the Company and the wider Macquarie Group and made in accordance with Macquarie Group's Code of Conduct (the "Code") based on the three principles of Opportunity, Accountability and Integrity. Macquarie Group's purpose of 'empowering people to innovate and invest for a better future' is deeply embedded in Macquarie Group's culture and is underpinned by these long-standing operating principles. Before a proposal is brought to the Board for approval, it will have gone through a series of internal approvals, in accordance with MGL's risk management framework. Macquarie Group adopts a conservative approach to risk management which is underpinned by a sound risk culture. Macquarie Group's robust risk management framework and risk culture are embedded across all operations.

To facilitate good decision making, the Directors meet quarterly (and additionally, as required) with documentation circulated in advance, which includes due diligence on financial impacts (where applicable), as well as non-financial factors, to allow them to fully understand the performance and position of the Company, along with the matters that are to be discussed.

Macquarie Capital (Europe) Limited

Strategic Report for the financial year ended 31 March 2023 (continued)

Section 172 (continued)

(a) Likely consequences of any decision in the long term: (continued)

The Board sets the 'tone at the top' and there is a culture of open and frank discussion at the board. Actions taken by the Board seek to promote long term sustainability and prudent management of risk consistent with 'What We Stand For.'

During the current financial year, there were 24 formal Board and Board Committee meetings. Independent Non-Executive Directors ("iNEDs") also met regularly without management present and held private meetings with the external auditor and Head of Internal Audit to assist with their oversight role. In addition, iNEDs had engagement with senior members of the business areas, Financial Management Group, RMG, Corporate Operations Group, Human Resources as well as Group board members.

The Board undertakes an annual self-evaluation of the performance and effectiveness of the Board and Board Committees to decide on focus topics, and to identify internal briefings and training required by individual directors. The Board Evaluation also assists the Board in assessing the structure, size and composition of the Board, including the knowledge, skills, experience and diversity of Board Members, and assists with Board succession planning and developments.

The Directors have considered the likely long-term consequence for key decisions made during the course of the year. In particular:

- The Company's Strategy;
- ICARA process – the review of the conclusions with the Directors confirming their satisfaction with the overall adequacy of capital and resources and liquidity framework;
- Principal risks have been reviewed and identified quarterly with processes in place to evaluate and manage risks. Effectiveness of risk management and internal controls is reviewed regularly by the Risk Committee and Board;
- Annual Board performance review;
- Outsourcing is a theme of importance to the Directors. As an entity, the Company is reliant on outsourcing both from external parties and MGL and its subsidiaries. In the current financial year, the Company held discussions on outsourcing matters of relevance;
- Quarterly review of business reports (including business risk profiles);
- Quarterly finance, risk, financial crime and compliance reports;
- Risk management, credit and liquidity enhancements;
- Fraud and cyber updates;
- The previous financial year's Annual Report and Financial Statements; and
- Pillar 3 Disclosures and the Modern Slavery Statement.

(b) Interests of the Company's workforce:

The employees of the Company and/or its branches have employment contracts with the Company, its branches, or entities within the wider Macquarie Group. The workforce's culture, values, behaviours, performance, and engagement drive how it serves its customers and interacts with suppliers.

In addition, the Company has Senior Managers with various senior management functions to perform functions as designated by the Financial Conduct Authority ("FCA"). The Company also has Material Risk Takers as Identified under the investment firm prudential regime ("IFPR") as implemented by the FCA's MIFIDPRU remuneration code, as set out in the FCA Handbook Chapter SYSC19G.

Macquarie Capital (Europe) Limited

Strategic Report for the financial year ended 31 March 2023 (continued)

Section 172 (continued)

(b) Interests of the Company's workforce: (continued)

The Company involves and informs the workforce on matters that could affect them. Where a Board decision is likely to impact the workforce, these considerations are reflected in the supporting documentation and relevant subject matter experts present to the Board in relation thereto, for example, our Human Resources team. The Company's policies align with the Macquarie Group's workforce policies, including Macquarie Group's Workforce Diversity Policy. The Macquarie Group and the Company are committed to building a workforce that reflects all aspects of diversity and intersectionality to bring a range of perspectives, ideas and insights to everything we do. The Macquarie Group's focus continues to be on developing the internal and external pipeline of people from under-represented groups at all levels and enhancing our recruitment and talent practices to facilitate this.

During the year, the Board and the Board Remuneration Committee have considered several workforce, including remuneration matters, the results of Macquarie's annual staff survey as they relate to the Company and the Company's Diversity, Equity and Inclusion Annual Impact Report. The Board also received confirmation from Human Resources that the Macquarie Group's people-related processes operated effectively as regards the employees of Company during the year, with no material exceptions identified requiring escalation to the Board.

(c) Business relationships with suppliers, customers and others:

The Board is cognisant of the stakeholders of the Company and the importance of strong relationships, coupled with appropriate levels of communication and engagement. The Board oversees how the Company deals with its various business relationships, including by way of regular Board reporting with respect to business performance and risk management.

Suppliers: Macquarie Group is committed to ensuring high standards of environmental, social and governance performance across its supply chain. This commitment is driven by our business principles. Macquarie Group has put in place a Supplier Governance Policy to manage the risks associated with suppliers who provide the Macquarie Group with high inherent risk goods or services, and also 'Principles for Suppliers' to help uphold our core values with the aim of having supplier relationships that create long-term and sustainable value for our clients, shareholders and community.

Customers: The Company has both internal (Macquarie Group) and external customers. Macquarie Group looks to the Company's workforce (including the Directors) to keep customers informed about the depth, breadth and scale of our capabilities. Macquarie Group's publicly available EMEA Terms of Business embed our commitment to the principle of treating customers fairly into all of the Company's business.

Regulators: The Company works closely with regulators to ensure a constructive regulatory dialogue and to provide transparency and updates on business performance and risk management in order to help reduce overall risk in the industry and provide a more sustainable financial services landscape over the long term. The Company has open and regular engagement with regulators, ensuring clarity and transparency, and shares views and expectations of the Company. The primary regulatory engagement for the Company is with the FCA supervisory teams and Senior Management.

(d) Community and the environment:

The Board and management recognise the importance of sound 'Environmental, Social and Governance' ("ESG") practices as part of their responsibility to their clients, shareholders, communities, staff and the environment in which the Company operates. As a subsidiary of the Macquarie Group, the Company has committed to the Group's ESG approach, which is structured around focus areas considered to be material to our business and stakeholders. Assessing and managing the Macquarie Group's Groupwide ESG risks is a key business priority and an important component of the Macquarie Group's broader risk management framework, to which the Company is subject.

Strategic Report for the financial year ended 31 March 2023 (continued)

Section 172 (continued)

(d) Community and the environment: (continued)

Clear dialogue with stakeholders is important for building strong relationships, understanding external dynamics, earning and maintaining trust, enhancing business performance and evolving our ESG approach. The Macquarie Group regularly engages with a broad range of stakeholders including clients, customers, shareholders, investors, analysts, governments, regulators, employees, suppliers and the wider community.

The Macquarie Group recognises that failure to manage ESG risks could affect communities, the environment and other external parties, and expose the organisation to commercial, reputational and regulatory impacts.

Environmental and social risks ("ESR") are managed through the implementation of the ESR and Work Health and Safety ("WHS") policies, which are based on international standards. These are updated periodically to address opportunities for improvement and emerging issues.

In 2021, Macquarie made a commitment to reach net zero emissions in our own business operations across Scope 1 and 2 emissions by 2025 and to align financing activity with the global goal of net zero emissions by 2050. In line with the Net Zero Banking Alliance ("NZBA") Guidelines, these commitments relate to our on-balance sheet lending and equity investment activities. Macquarie is committed to driving the global transition to net zero. Macquarie published its first combined Group Net Zero and Climate Risk Report in December 2022.

The Board acknowledges the work of the 'Macquarie Group Foundation' (the "Foundation"), which is the philanthropic arm of Macquarie Group. The Foundation encourages Macquarie Group's employees to give back to the communities in which they live and work by contributing service, financial support and leadership to the community organisations they feel passionately about.

(e) Reputation for high standards:

The reputation of the Company and its Directors are fundamental to the long-term success of the Company and significant effort is expended to ensure that performance and processes attain and wherever possible exceed expectations. The Macquarie Group and the Company are committed to maintaining high ethical standards – adhering to laws and regulations, conducting business in a responsible way and treating all stakeholders with honesty and integrity. These principles are further reflected in the Code.

(f) Need to act fairly as between members of the Company:

The Company is a separate legal entity and is therefore making this statement as such, but in practical terms, the Company is part of a wider group and in addition to promoting the success of the Company as a whole, the duties of the Directors of the Company are exercised in a way that is most likely to promote the success of the Company for the Macquarie Group as a whole, while having regard to factors outlined in section 172(1) Companies Act 2006.

Macquarie Capital (Europe) Limited

Strategic Report for the financial year ended 31 March 2023 (continued)

Other matters

Due to the nature of the business and the information provided elsewhere in this report, the Directors have decided not to include additional financial and non-financial key performance indicators (including with regard to environmental and employee matters) in the Strategic report because they would not materially improve an understanding of the development, performance or position of the business.

The Strategic Risk Materiality Assessment approved by the Board concluded that the Company's exposure to environmental and social risks, including climate-related risks, is most likely to arise as reputational risks through advisory or brokerage relationships with a specific client or the sector in which it operates. Macquarie's group-wide ESR Policy provides a robust framework for embedding environmental and social risk management into investment decision making. The policy establishes processes for identifying, assessing, managing, mitigating and reporting material environmental and social risks across the business, and details requirements for client on-boarding and a broad range of transactions including corporate advisory. The Board Risk Committee received an annual refresh of the ESR materiality assessment in April 2023 and re-concluded that ESR is not a material risk. ESR updates are provided in the Company's CRO quarterly board reporting to provide ongoing senior oversight on relevant ESR related matters and requirements.

On behalf of the Board,



Paul Plewman

Director

17 July 2023

Macquarie Capital (Europe) Limited

Company Number 03704031

Directors' Report

for the financial year ended 31 March 2023

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 (Independent Non-Executive Director)
A. Henderson (Independent Non-Executive Director)
C. Higgins (Independent Non-Executive Director)
P. Nash
P. Plewman

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 2023 was £4,980,000 (2022: loss of £2,106,000).

Dividends

No dividend was paid or provided for during the current financial year (2022: £nil). No final dividend has been proposed.

State of affairs

The Company has an unregulated branch in Ireland and the Company maintains a Representative Office in Geneva but is not authorised to conduct business in Switzerland by FINMA.

On 31 December 2020, the transition period relating to the withdrawal of the United Kingdom ("UK") from the European Union ("EU") (known as "Brexit") came to an end. As a result, the Company transferred the operations of the branches in Germany, Netherlands and France to MCF in FY2021. The operations of the representative office in Spain were transferred to MCF in the previous financial year. From the implementation of Brexit, MCEL is no longer able to passport into Europe via its European branches and therefore, from 1 January 2021, ceased to undertake regulated activity in the EU unless cross border licenses, exemptions or temporary permissions regimes are currently available. All branches are in the process of being deregistered excluding the branch in Ireland, which will remain as an employment entity for non-regulated technical staff in MacCap. The representative office in Switzerland, also an employment office, will remain to continue to support MacCap Equities Swiss business activities. The Netherlands branch was deregistered as at 31 March 2023. The deregistration of the representative office in Spain has been approved by the Board as at 31 March 2023 and will be finalised in the financial year ending 31 March 2024. The French and German branches are planned to be deregistered in the future.

Following Brexit, the Company has, in limited circumstances, continued to provide cash equities services to EU clients through reliance on cross-border licences, exemptions or temporary permissions regimes where available, although its ongoing ability to do so remains uncertain.

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 Strategic/Directors' report.

Macquarie Capital (Europe) Limited

Company Number 03704031

Directors' Report

for the financial year ended 31 March 2023 (continued)

Going concern

The Company has excess of current assets over current liabilities as at 31 March 2023 of £173,861,000 (2022: £196,269,000). The Company continues to review its operating businesses and is sufficiently capitalised to cover operating losses in the foreseeable future.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future (which has been taken as at least 12 months from the date of approval of the financial statements). No material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern have been identified by the Directors. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Events after the reporting period

At the date of this report, the Directors are not aware of any 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 2023 not otherwise disclosed in this report.

Likely developments, business strategies and prospects

Russia-Ukraine conflict

The risks presented by the Russia-Ukraine conflict are managed by the Company within the framework of the overall strategy and risk management structure of the Macquarie Group.

The continued impact and uncertainty surrounding the Russia-Ukraine conflict has been monitored throughout the year for the Company by RMG. There was no significant direct financial impact and the Company has continued to operate effectively throughout the period.

Global inflation and high interest rates

The Directors have assessed the impact of the macroeconomic challenges that include but are not limited to, persistently high inflation, the effects of rising interest rates and the impacts of tighter monetary policy from central banks that the Company experienced in the current financial year. This assessment is comprised of stress testing scenarios which forms part of the Internal Capital Adequacy and Risk Assessment ("ICARA") process. The scenario analysis helps to understand the impact of these events on the firm (together with idiosyncratic scenarios) and manage these risks on a forward-looking basis. Changing market conditions have influenced the volume and timing of client transactions across the businesses (both private and public side activities), which have been subdued over the course of the current financial year. The Directors have concluded, although the full economic impacts are difficult to substantiate, these challenges have had an impact on the Company, and the impact on its clientele is likely to persist at least in the short term. The Company is well placed to respond to these risks as well as identify opportunities that can emerge from the macroeconomic challenges through disciplined risk management and strategic decisions (included but not limited to, targeting resilient sectors).

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

The principal activities, review of operations and the financial risk management objectives and policies of the Company and the exposure of the Company to credit risk, liquidity risk, market risk, operational risk, group risk, conduct risk, regulatory & compliance risk, strategic/business risk, environmental & social risk, financial crime risk, and technology & cyber risk are contained within the Strategic Report.

Directors' Report

for the financial year ended 31 March 2023 (continued)

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 also at the date of approval of the financial statements. 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 in respect of the financial statements

The Directors are responsible for preparing the Strategic Report, Directors' Report and Financial Statements in accordance with applicable law and regulation.

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 FRS 101 "Reduced Disclosure Framework", and applicable law).

Under Company law, 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;
- 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;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also 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.

Streamlined energy and carbon reporting ("SECR") requirement

The Company consumed less than 40MWh for the financial year ended 31 March 2023 and for this reason the Company is not required to disclose energy and carbon information in this report.

Directors' confirmations

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.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Macquarie Capital (Europe) Limited

Company Number 03704031

Directors' Report

for the financial year ended 31 March 2023 (continued)

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. The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and, 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

17 July 2023

Macquarie Capital (Europe) Limited

Profit and loss account for the financial year ended 31 March 2023

	Notes	Continuing Operations		Discontinued Operations		Total	
		2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Turnover	4	81,600	104,320	-	1,014	81,600	105,334
Administrative expenses	4	(86,611)	(104,589)	(294)	(1,865)	(86,905)	(106,454)
Other operating income ¹	4	113	22	18	615	131	637
Operating loss		(4,898)	(247)	(276)	(236)	(5,174)	(483)
Interest receivable and similar income	4	3,685	349	-	9	3,685	358
Interest payable and similar expenses	4	(1,046)	(1,101)	(47)	(203)	(1,093)	(1,304)
Net impairment losses on financial assets	4	(2,246)	(1,487)	-	8	(2,246)	(1,479)
Loss before taxation		(4,505)	(2,486)	(323)	(422)	(4,828)	(2,908)
Tax on loss	6	1,219	599	(1,371)	203	(152)	802
Loss for the financial year		(3,286)	(1,887)	(1,694)	(219)	(4,980)	(2,106)

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

¹The Company transferred the operations of the branches in Germany, Netherlands and France as well as the operations of the representative office in Spain to Macquarie Capital France Société Anonyme ("MCF"). Please refer to Note 30 *Discontinued operations* for further details. The gain in the previous financial year recognised from the transfer of the representative office in Spain was £696,000, which is included in other operating income in the above profit and loss account.

Macquarie Capital (Europe) Limited

Statement of comprehensive income for the financial year ended 31 March 2023

	Note	2023 £'000	2022 £'000
Loss for the financial year		(4,980)	(2,106)
Other comprehensive income ¹			
Movements in items that may be subsequently reclassified to the profit and loss account:			
Fair value through other comprehensive income ("FVOCI") reserve:			
Revaluation movement	21	(3)	5
Foreign exchange movements on translation	21	428	576
Movements in items that will not be subsequently reclassified to the profit and loss account:			
Actuarial gain on pension plans	21	494	362
Deferred tax associated with actuarial gain	21	(98)	7
Total other comprehensive income		821	950
Total comprehensive loss		(4,159)	(1,156)
Total comprehensive loss for the financial year that are attributable to ordinary equity holders of the Company		(4,159)	(1,156)

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

¹All items are net of tax, where applicable.

Macquarie Capital (Europe) Limited

COMPANY NUMBER 03704031

Balance sheet as at 31 March 2023

	Notes	2023 £'000	2022 £'000
Fixed assets			
Tangible assets	7	3	7
		3	7
Current assets			
Cash at bank and in hand	8	10,551	11,317
Financial investments	9	4,970	4,999
Debtors	10	674,232	1,215,405
Held for sale assets	11	-	1,621
Deferred tax assets	13	607	904
Current liabilities: amounts falling due within one year			
Creditors: amounts falling due within one year	14	(516,499)	(1,036,360)
Held for sale liabilities	15	-	(1,617)
Net current assets		173,861	196,269
Total assets less current liabilities		173,864	196,276
Creditors: amounts falling due after more than one year	16	-	(17,690)
Provisions for liabilities	17	(771)	(847)
Pension liability	18	(551)	(1,029)
Net assets		172,542	176,710
Capital and reserves			
Called up share capital	19	331,601	331,601
Share premium reserve	19	4,999	4,999
Equity contribution from ultimate parent entity	20	2,096	2,105
Reserves	21	1,264	443
Profit and loss account	21	(167,418)	(162,438)
Total Capital and reserves		172,542	176,710

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

The financial statements on pages 15 to 65 were authorised for issue by the Board of Directors on 17 July 2023 and were signed on its behalf by:



Paul Plewman

Director

Macquarie Capital (Europe) Limited

Statement of changes in equity for the financial year ended 31 March 2023

	Notes	Called up share capital £'000	Share premium reserve £'000	Equity contribution from ultimate parent entity £'000	Reserves £'000	Profit and loss account £'000	Total capital and reserves £'000
Balance as at 1 April 2021		331,601	4,999	2,117	(507)	(160,332)	177,878
Loss for the financial year	21	-	-	-	-	(2,106)	(2,106)
Other comprehensive income		-	-	-	950	-	950
Total comprehensive loss		-	-	-	950	(2,106)	(1,156)
Other equity movements							
Deferred tax on share based payments	20	-	-	(12)	-	-	(12)
Balance as at 31 March 2022		331,601	4,999	2,105	443	(162,438)	176,710
Loss for the financial year	21	-	-	-	-	(4,980)	(4,980)
Other comprehensive income		-	-	-	821	-	821
Total comprehensive loss		-	-	-	821	(4,980)	(4,159)
Other equity movements							
Deferred tax on share based payments	20	-	-	(9)	-	-	(9)
Balance as at 31 March 2023		331,601	4,999	2,096	1,264	(167,418)	172,542

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

Macquarie Capital (Europe) Limited

Notes to the financial statements for the financial year ended 31 March 2023

Note 1. Company information

The Macquarie Capital (Europe) Limited (the "Company" or "MCEL") 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.

The principal activities of the Company during the financial year ended 31 March 2023 were to undertake activities related to Corporate Advisory and Cash Equities services.

Note 2. Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101") and have been prepared in accordance with the provisions of the Companies Act 2006.

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

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

(i) Going concern

As at 31 March 2023, the Company had net assets of £172,542,000 (2022: £176,710,000). The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. No material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern have been identified by the Directors. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

(ii) Basis of measurement

The financial statements have been prepared in accordance with the Companies Act 2006 and under the historical cost convention except for the following items:

- financial instruments required to be measured at fair value through profit or loss ("FVTPL"); financial assets classified as fair value through other comprehensive income ("FVOCI") and financial instruments that have been designated as FVTPL ("DFVTPL"); and
- non-current assets and disposal groups that have been classified as held for sale ("HFS") and where the disposal group has been impaired to its fair value less costs to sell.

(iii) Disclosure exemptions

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 UK adopted international accounting standards ("IFRS").

The following exemptions from the requirements of UK-adopted international standards 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 paragraph 33(c) of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' (details of cash flows of discontinued operations).
- 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'.
- The requirements of paragraphs 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - Paragraph 79(a)(iv) of IAS 1 (reconciliation of shares outstanding).
 - Paragraph 73(e) of IAS 16 'Property, Plant and Equipment'.

Macquarie Capital (Europe) Limited

Notes to the financial statements for the financial year ended 31 March 2023 (continued)

Note 2. Basis of preparation (continued)

(iii) Disclosure exemptions (continued)

The following exemptions from the requirements of UK-adopted international standards have been applied in the preparation of these financial statements, in accordance with FRS 101: (continued)

- The requirements of paragraphs of IAS 1, 'Presentation of financial statements':
 - 10 (d), (statement of cash flows),
 - 16 (statement of compliance with all IFRS),
 - 38A (requirement for minimum of two primary statements, including cash flow statements),
 - 38 B-D (additional comparative information),
 - 111 (cash flow statement information), and
- The requirements of IAS 7 'Statement of Cash Flows'.
- The requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- The requirements of paragraph 17 and 18A of IAS 24 'Related Party Disclosures' (key management compensation).
- The requirements of IAS 24 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'.

(iv) Critical accounting estimates and significant judgements

The preparation of the financial statements in compliance 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:

- the assessment of whether certain rights are protective or substantive in nature, whether these rights are held in the capacity as agent or principal.

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 this financial report are reasonable. Actual results in the future may differ from those reported and it is therefore 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 in future reporting periods.

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

The amendments to existing accounting standards that are effective for the annual reporting period beginning on 1 April 2022 did not result in a material impact to the Company's financial statements.

Note 3. Significant accounting policies

(i) Foreign currency translation

Functional and presentation currency

The functional currency of the Company (including branches) is determined as the currency of the primary economic environment in which the Company operates. The Company's financial statements are presented in 'Pounds Sterling' (£), which is also the Company's functional currency.

Macquarie Capital (Europe) Limited

Company Number 03704031

Notes to the financial statements for the financial year ended 31 March 2023 (continued)

Note 3. Significant accounting policies (continued)

(i) Foreign currency translation (continued)

Transactions and balances

At initial recognition, a foreign currency transaction is translated into the entity's functional currency using the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of each reporting period:

- foreign currency monetary assets and liabilities are translated using the closing exchange rate;
- non-monetary items (including equity) measured in terms of historical cost in a foreign currency remain translated using the spot exchange rate at the date of the transaction, and
- non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date that the fair value was measured.

Foreign exchange gains and losses arising from the settlement or translation of monetary items, or non-monetary items measured at fair value are recognised in other operating income.

For the detailed policy on *Financial instruments* refer to Note 3(iv).

Subsidiaries and other entities

The Company has branches in Germany, Ireland and France. It also has representative offices in Switzerland and Spain. In FY2021, the Company transferred the operations of the branches in Germany and France to Macquarie Capital France Société Anonyme ("MCF"). In the previous financial year, the Company transferred the operations of the representative office in Spain to MCF. Please refer to Note 30 *Discontinued operations* for further details.

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

- assets and liabilities included in each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet.
- income and expenses included in the profit and loss account are translated at actual exchange rates at the dates of the transactions.
- all resulting exchange differences are recognised in OCI within a separate component of reserves (Refer Note 21 *Reserves and profit and loss account*).

Foreign currency gains and losses on intra-group loans are recognised in the profit and loss account except where the loan is in substance part of the Company's net investment in the foreign operation, in which case the foreign currency gains and losses are recognised in OCI within a separate component of reserves.

The exchange gains or losses recognised in foreign currency translation reserve ("FCTR") are reclassified to the income statement or reattributed within equity as follows:

- if there is a disposal of a foreign operation, then the accumulated FCTR is reclassified from OCI to investment income within other operating income.
- if there is a partial disposal of a foreign operation that is an associate or joint arrangement, without loss of significant influence or joint control, then a proportionate share of the accumulated FCTR is reclassified to investment income.
- if there is a partial disposal of a foreign operation that is a subsidiary, without loss of control, then a proportionate share of the accumulated FCTR is reattributed within equity to non-controlling interests.

Macquarie Capital (Europe) Limited

Company Number 03704031

Notes to the financial statements for the financial year ended 31 March 2023 (continued)

Note 3. Significant accounting policies (continued)

(ii) Revenue and expense recognition

Net interest income / expense

Interest income and interest expense are recognised using the effective interest rate ("EIR") method for financial assets, and financial liabilities carried at amortised cost, and debt financial assets classified as at fair value through OCI. 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 to the net carrying amount of the financial asset or liability. The calculation of the EIR does not include ECL.

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).

The calculation of the EIR does not include ECL.

Interest income on financial assets that are not credit impaired is determined by applying the financial asset's EIR to the financial asset's gross carrying amount. Interest income on financial assets that are subsequently classified as credit impaired (Stage 3), is recognised by applying the EIR to the amortised cost carrying value (being the gross carrying value after deducting the impairment loss).

Interest income and expense on financial assets and liabilities that are classified as FVTPL is accounted for on a contractual rate basis.

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 debt issuances. The revenue from these arrangements is recognised at a point in time, and when it has been established that the customer has received the benefit of the service such that the performance obligation is satisfied. 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 assesses whether distinct services have been transferred at these milestones and accordingly recognises revenue. If not, the fee recognition will be deferred until such time as the performance obligation has been completed. Management of capital raisings and underwriting of debt capital raisings are each considered distinct performance obligations that are typically satisfied on the allocation date of the underwritten securities.

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

Other operating income

Other operating income comprises of gain on transfers and other income.

Gains or losses on the change of control and reclassifications to/from held for sale also forms part of other operating income.

Expenses

Expenses are recognised in the profit and loss account as and when the provision of services is received.

Service fees received from other Macquarie Group undertakings

The Company receives revenue based on agreed upon transfer pricing methodologies as consideration for certain services provided to other Macquarie Group entities. Service fees received from other Macquarie Group undertakings are recorded on an accrual basis. These service fees received from other Macquarie Group undertakings are recognised in the Company's profit and loss account under Turnover.

Macquarie Capital (Europe) Limited

Company Number 03704031

Notes to the financial statements for the financial year ended 31 March 2023 (continued)

Note 3. Significant accounting policies (continued)

(ii) Revenue and expense recognition (continued)

Service costs recharged from other Macquarie Group undertakings

Service fees recharged to other Macquarie Group undertakings refer to services provided by service areas that reflect routine supporting functions that are back office administrative in nature. The service area costs are typically recovered on either a fee-based recovery or allocation basis. These service costs recharged from other Macquarie Group undertakings are recognised in the Company's profit and loss account under Administrative expenses.

Fee allocations to other Macquarie Group undertakings

The Company bears the regulatory and legal risks resulting from the provision of regulated services under appropriate license and an affiliate undertakes the regulated business and provides services under the client mandate. Fee allocations to other Macquarie Group undertakings are recognised per agreed fee sharing arrangements with affiliates. These fee allocations to other Macquarie Group undertakings are recognised in the Company's profit and loss account under Administrative expenses.

Internal fee expenses

Management fees and cost recoveries are charged to the Company in respect of services provided by other Macquarie Group entities as per the agreed cost sharing arrangement. Such expenses are recognised under Administrative expenses in the Company's profit and loss account on an accrual basis in accordance with the standard recovery methodology applied by the servicing entity.

(iii) Taxation

The balance sheet approach to tax effect accounting has been adopted whereby the income tax expense for the financial year is the tax payable on the current year's taxable income adjusted for changes in deferred tax assets and liabilities attributable to temporary differences between the tax basis 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 basis 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 against which 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 on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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 probable of recovery.

Factors considered include the ability to offset tax losses, 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.

Macquarie Capital (Europe) Limited

Company Number 03704031

Notes to the financial statements for the financial year ended 31 March 2023 (continued)

Note 3. Significant accounting policies (continued)

(iii) Taxation (continued)

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 and interpretation of the law. Uncertain tax positions are presented as current or deferred tax assets or liabilities with reference to the nature of the underlying uncertainty.

Value-Added Tax ("VAT")

Where VAT is not recoverable from tax authorities, it is either capitalised to the balance sheet as part of the cost of the related asset or is recognised as a part of Administrative expenses in the profit and loss account. Where VAT is recoverable from or payable to tax authorities, the amount is recorded as a separate asset or liability in the balance sheet.

(iv) 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 (in the case of instruments not classified at FVTPL) for transaction costs that are incremental and directly attributable to the acquisition or issuance of the financial instrument, and fees that are an integral part of the effective interest rate. Transaction costs and fees paid or received relating to financial instruments carried at FVTPL are recorded in the profit and loss account.

The best evidence of a financial instrument'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 inputs from observable markets.

Financial instruments arising in multiple transactions are accounted for as a single arrangement if this best reflects the substance of the arrangement. Factors considered in this assessment include whether the financial instruments:

- are entered into at the same time and in contemplation of one another;
- have the same counterparty;
- relate to the same risk;
- there is no apparent economic need or substantive business purpose for structuring the transactions separately that could not also have been accomplished in a single transaction; or
- consideration of whether each of the financial instruments has its own terms and conditions and each may be transferred or settled separately.

De-recognition of financial instruments

Financial assets

Financial assets are de-recognised from the balance sheet when:

- the contractual rights to cash flows have expired; or
- the Company has transferred the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset.

A financial asset is transferred if, and only if, the Company:

- i) transfers the contractual rights to receive the cash flows of the financial asset; or
- ii) retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement where the Company is:
 - not obligated to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset;
 - prohibited from selling or pledging the original asset other than as security to the eventual recipients; and
 - obligated to remit any cash flows it collects on behalf of the eventual recipients without material delay.

Macquarie Capital (Europe) Limited

Company Number 03704031

Notes to the financial statements for the financial year ended 31 March 2023 (continued)

Note 3. Significant accounting policies (continued)

(iv) Financial instruments (continued)

De-recognition of financial instruments (continued)

Financial assets (continued)

In transactions where the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, the asset is de-recognised if control over the asset is lost. Any interest in the transferred and de-recognised 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.

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 uses judgement in determining the business model at the level that reflects how groups of financial assets are managed together to achieve a particular business objective. 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 business model and the financial assets held within that business model is evaluated and reported to the Macquarie Group's Senior Management personnel and senior executives;
- 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).

Solely payment of principal and interest ("SPPI")

The contractual cash flows of a financial asset are assessed to determine whether these represent SPPI on the principal amount outstanding consistent with a basic lending arrangement. This includes an assessment of whether cash flows primarily reflect consideration for the time value of money, and credit risk of the principal outstanding. Interest may also include consideration for other basic lending risks and costs.

Amortised cost

A financial asset is subsequently measured at amortised cost using the EIR method where:

- (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 classified as DFVTPL.

Interest income determined in accordance with the EIR method is recognised as part of interest and similar income.

Macquarie Capital (Europe) Limited

Company Number 03704031

Notes to the financial statements for the financial year ended 31 March 2023 (continued)

Note 3. Significant accounting policies (continued)

(iv) Financial instruments (continued)

Classification and subsequent measurement (continued)

Fair value through other comprehensive income ("FVOCI")

A financial asset is subsequently measured at FVOCI if the following conditions are met:

- (i) the financial asset is held within a business model whose objective is to both collect contractual cash flows and to sell the financial asset,
- (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 classified as DFVTPL.

Subsequent changes in fair value are recognised in OCI, with the exception of interest (which is recognised as part of interest income), ECL (which is recognised as credit impairment charges/reversals in net impairment losses on financial assets) and foreign exchange gains and losses (which are recognised in other operating income). When debt financial assets classified at FVOCI are de-recognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI and recognised as part of other operating income.

Fair value through profit or loss ("FVTPL")

Financial assets that do not meet the criteria to be measured at amortised cost or FVOCI are subsequently measured at FVTPL.

For the purposes of the Company's financial statements, the FVTPL classification consists of the following:

- financial assets that are held for active trading ("HFT"), which are measured at FVTPL. This classification includes all derivative financial assets, except those that are designated as hedging instruments in qualifying hedge relationships and are classified as "FVPTL";
- 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 (FVTPL);
- financial assets that fail the SPPI test (FVTPL); and
- 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).

Equity financial assets that are not held for active trading are measured at FVTPL. Subsequent changes in fair value are recognised within other operating income.

Subsequent changes in the fair value of debt financial assets are measured at FVTPL are presented as follows:

- Changes in the fair value of financial assets that are classified as HFT and financial assets managed on a fair value basis are recognised in other operating income;
- Changes in the fair value of debt financial investments and loans to associates and joint ventures that fail SPPI are recognised as part of other operating income;
- Changes in the fair value of all other FVTPL and DFVTPL financial assets are recognised within other operating income.

Where applicable, the interest component of financial assets is recognised as interest and similar income.

Financial liabilities

Financial liabilities are subsequently measured at amortised cost, unless they are either HFT, or have been designated to be measured at FVTPL (DFVTPL). A financial liability may be DFVTPL if:

- such a designation eliminates or significantly reduces an accounting mismatch that would otherwise have arisen;
- a group of financial liabilities, or financial assets and financial liabilities, is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the liability contains embedded derivatives which must otherwise be separated and carried at fair value.

Changes in the fair value of financial liabilities that are not classified as HFT, with the exception of changes in fair value relating to changes in the Company's own credit risk that are presented separately in OCI and are not subsequently reclassified to profit or loss, are recognised as part of other operating income.

Macquarie Capital (Europe) Limited

Company Number 03704031

Notes to the financial statements for the financial year ended 31 March 2023 (continued)

Note 3. Significant accounting policies (continued)

(iv) Financial instruments (continued)

Classification and subsequent measurement (continued)

Financial liabilities (continued)

Where applicable, the interest component of financial liabilities is recognised as interest and similar 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 current 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.

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

As part of its trading and financing activities, the Company borrows and lends securities, commodities and other assets ("underlying") on a collateralised basis. The underlying that is subject to the arrangement is not de-recognised 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 an underlying under an agreement to resell.

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

Reverse repurchase agreements that are held within the Company's cash and liquid assets portfolio are measured at FVOCI as they are held in a business model to both collect contractual cash flows and with the intention to sell.

Also refer to Note 28 *Measurement categories of financial instruments*.

As part of its financing activities, the Company enters into reverse repurchase agreements, where the Company purchases securities under an agreement to resell on a collateralised basis. The securities subject to the reverse repurchase are not recognised on the balance sheet of the Company, as the risks and rewards of ownership remain with the transferor. These reverse repurchase agreements which are held in the Company's liquid asset portfolio are measured at FVOCI to reflect the Company's business model to both collect contractual cash flows and with the intention to sell. Refer Note 3(iv) for the detailed *Financial Instruments* accounting policy.

(vi) Brokerage trade debtors and creditors

Brokerage trade debtors and creditors represent outstanding trade timing balances as at the reporting date due to the timing difference between trade date and settlement date.

Other debtors and creditors balances represent unsettled amounts owed by and from settlement agents. Balances are carried at cost.

(vii) Financial investments

Investment securities in this category include investments in debt securities which are not actively traded by the Company.

Debt investment securities in this category are comprised of government bonds and other debt securities.

Financial investments are initially recognised on trade date at fair value (adjusted for directly attributable transaction costs for debt investments subsequently measured at amortised cost or FVOCI) and subsequently measured in accordance with Note 3(iv) *Financial Instruments*.

Macquarie Capital (Europe) Limited

Company Number 03704031

Notes to the financial statements for the financial year ended 31 March 2023 (continued)

Note 3. Significant accounting policies (continued)

(viii) Cash at bank and in hand

Cash at bank includes cash and bank balances, currency on hand, demand deposits and short-term balances with Central and other banks. These balances are subsequently measured at amortised cost. Cash at bank excludes margin money balances and certain client-related balances which are segregated from the Company's own funds and thus restricted from use.

(ix) Tangible assets

Tangible assets are stated at historical cost (which includes, where applicable, directly attributable borrowing costs) and expenditure directly attributable to the acquisition of the asset less accumulated depreciation and, where applicable, accumulated impairment losses.

Depreciation is the process to allocate the difference between cost and residual values over the estimated useful life. Where the residual value exceeds the carrying value, no depreciation is charged. Depreciation is calculated on a straight-line basis.

Annual depreciation rates are summarised below:

Tangible assets	Depreciation rates
Furniture, fittings and leasehold improvements ¹	10 to 20%
Computer and communication equipment	33%

¹Where remaining lease terms are less than five years (20%), leasehold improvements are depreciated over the remaining lease term.

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

The depreciation charge is recognised as part of Administrative expenses.

(x) Other assets and liabilities

Contract assets, and contract liabilities

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

The Company, as permitted by IFRS 15 *Revenue from Contracts with Customers*, 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.

Non-current assets and liabilities of disposal groups classified as held for sale

This category includes assets and disposal groups (groups of assets to be disposed of in a single transaction and directly attributable liabilities) for which the carrying amount will be recovered principally through a sale or distribution transaction rather than continuing use.

These assets and disposal groups are classified as held for sale when they are available for immediate sale in their present condition and the sale or distribution is highly probable, including that the sale or distribution is expected to occur within 12 months.

Macquarie Capital (Europe) Limited

Company Number 03704031

Notes to the financial statements for the financial year ended 31 March 2023 (continued)

Note 3. Significant accounting policies (continued)

(x) Other assets and liabilities (continued)

Non-current assets and liabilities of disposal groups classified as held for sale (continued)

Non-current assets and liabilities of disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Equity accounting, depreciation and amortisation is suspended when the held for sale criteria is satisfied.

An impairment loss is recognised for any initial or subsequent write down of the asset to fair value less costs to sell and is recognised in other impairment charges/reversal. A gain is recognised for any subsequent increase in fair value less costs to sell, limited to the cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of sale is recognised at the date of sale.

Financial assets and liabilities that are classified as held for sale are measured in accordance with the Company's financial instruments' policies.

(xi) Provisions and contingent liabilities

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. Contingent liabilities, which generally include letters of credit, indemnities, performance-related contingents and guarantees (other than financial guarantees) are not recognised in the financial statements but are disclosed in the notes to the financial statements unless they are considered remote.

Employee benefit provisions

Employee benefit provisions are recognised by the Company as and when the service has been rendered after deducting amounts already paid. Liabilities for unpaid salaries, salary-related costs and provisions for annual leave are recorded on 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 de-recognised 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) Due to/from related entities

Transactions between the Company and other Macquarie Group entities principally arise from the provision of lending arrangements and acceptance of funds on deposit, intercompany services and transactions, and are accounted for in accordance with Note 3(ii) *Revenue and expense recognition* and Note 3(iv) *Financial Instruments*. Financial assets and financial liabilities are presented net where the offsetting requirements are met (Note 3(iv)), such that the net amount is reported in the balance sheet.

(xiii) Impairment

Expected credit losses ("ECL")

The ECL requirements apply to financial assets measured at amortised cost and FVOCI and amounts receivable from contracts with customers. 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 information ("FLI").

The calculation of ECL requires judgement and the choice of inputs, estimates and assumptions. Refer to Note 12 *Expected credit losses* for further information. 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.

Macquarie Capital (Europe) Limited

Company Number 03704031

Notes to the financial statements for the financial year ended 31 March 2023 (continued)

Note 3. Significant accounting policies (continued)

(xiii) Impairment (continued)

Expected credit losses ("ECL") (continued)

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 initial recognition, ECL is determined based on the probability of default ("PD") over the next 12 months and the lifetime losses associated with such PD, adjusted for FLI. Stage 1 also includes financial assets where the credit risk has improved and the instrument has been reclassified from stage 2.

(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 lifetime PD and the lifetime losses associated with that PD, adjusted for FLI. The Company exercises judgement in determining whether there has been a SICR since initial recognition based on qualitative, quantitative, and reasonable and supportable information that includes FLI. Detail on the Company's process to determine whether there has been a SICR is provided in Note 12 *Expected credit losses*.

Use of 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 adjusted, where appropriate, for prepayments, extension, call and similar options, of the financial asset. For revolving facilities, the Company exercises judgement based on the behavioural, rather than contractual characteristics of the facility type. Stage 2 may include financial assets where the credit risk has improved and has been reclassified from stage 3.

(iii) Stage 3 – Lifetime ECL credit-impaired

Financial assets are classified as Stage 3 where they are determined to be credit impaired, which generally matches the definition of default. This 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 for portfolios of exposure, ECL is measured as the product of the lifetime PD, the loss given default ("LGD") and the exposure at default ("EAD"), adjusted for FLI.

Presentation of loss allowances

The ECL allowances are presented in the balance sheet as follows:

- loan assets and amounts due from other Macquarie Group entities measured at amortised cost – as a deduction to the gross carrying amount
- debt financial investments measured at FVOCI – as a reduction in FVOCI reserve within equity. The carrying amount of the asset is not adjusted as it is recognised at fair value
- contract receivables and other assets measured at amortised cost – as a deduction to the gross carrying amount

When the Company concludes that there is no reasonable expectation of recovering cash flows from the financial asset, and all possible collateral has been realised, the financial asset is written off, either partially or in full, against the related provision. Recoveries of loans previously written off are recorded based on the cash received.

(xiv) Performance based remuneration

Share based payments

The ultimate parent Company, MGL, operates share-based compensation plans, which include awards (including those delivered through the Macquarie Group Employee Retained Equity Plan ("MEREP")) granted to employees under share acquisition plans. Information relating to these schemes is set out in Note 25 *Employee equity participation*.

Macquarie Capital (Europe) Limited

Company Number 03704031

Notes to the financial statements for the financial year ended 31 March 2023 (continued)

Note 3. Significant accounting policies (continued)

(xiv) Performance based remuneration (continued)

Share based payments (continued)

The Company accounts for its share-based payments as follows:

Equity settled awards: The awards are measured at their grant date fair value and based on the number of equity instruments expected to vest. Expenses are recognised as part of employment expenses with reference to the vesting period of those awards. To the extent that the Company does not compensate the ultimate parent for MEREP awards offered to its employees, a corresponding credit is recognised in contributed equity. To the extent the Company compensates the ultimate parent and the amount is paid in advance, a receivable due from the ultimate parent is recognised. The receivable is amortised to the income statement as share-based payment expense over the vesting period. MEREP receivable amounts are recognised and disclosed in Note 25 *Employee equity participation*.

Cash settled awards: The award liability is measured with reference to the number of awards and the fair value of those awards at each reporting date. Expenses are recognised as part of employment expenses with reference to the vesting period of those awards. Changes in the value of the liability are recognised in employment expenses.

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.

(xv) Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. At inception, or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component unless an election is made to account for the lease and non-lease components as a single lease component.

(a) Accounting where the Company is the lessee

The Company leases corporate buildings for which contracts are typically entered into for fixed periods of 12 months to 33 years and may include extension options. Leases are recognised as held for sale assets (as explained in Note 11 *Held for sale assets* and Note 30 *Discontinued operations*) and a corresponding liability at the commencement date, being the date the leased asset is available for use by the Company.

Lease liabilities

Lease liabilities are initially measured at the present value of the future lease payments at the commencement date, discounted using the interest rate implicit in the lease (or if that rate cannot be readily determined, the lessee's incremental borrowing rate). Lease payments are allocated between principal and interest expense. Interest expense is, unless capitalised on a qualifying asset which is not measured at fair value, recognised as part of interest and similar expense in the profit and loss account over the lease period on the remaining lease liability balance for each period.

Lease liabilities are remeasured when there is a change in future lease payments arising from a change in lease term, an assessment of an option to purchase the underlying asset, an index or rate, or a change in the estimated amount payable under a residual value guarantee.

Presentation

As a result of the transfer to MCF, lease assets and lease liabilities associated with Macquarie Capital (Europe) Limited, Niederlassung Deutschland and Macquarie Capital (Europe) Limited, Amsterdam Branch, have been disclosed as HFS assets and HFS liabilities on the balance sheet in the previous financial year. Refer to Note 30 *Discontinued operations* for further details on the transfer.

Macquarie Capital (Europe) Limited

Company Number 03704031

Notes to the financial statements for the financial year ended 31 March 2023 (continued)

Note 3. Significant accounting policies (continued)

(xvi) 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.

(xvii) Called up share capital

Ordinary shares and other similar instruments 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.

(xviii) Rounding of amounts

All amounts in the Strategic Report, Directors' Report and Financial Statements have been rounded off to the nearest thousand pound sterling (£'000) unless otherwise indicated.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2023

Note 4. Loss before taxation

	2023	2022
	£'000	£'000
Loss before taxation is stated after crediting/charging:		
Turnover by category:		
Advisory services	48,417	63,806
Brokerage commission income	24,256	31,385
Service fees received from other Macquarie Group undertakings	8,865	9,136
Net trading income	62	129
Underwriting income	-	828
Other revenue	-	50
Total turnover	81,600	105,334
Administrative expenses		
Staff Costs		
Wages and salaries	820	1,048
Social security costs	11	5
Share based payment charge/(credit)	94	(209)
Resourcing charges from other Macquarie Group undertakings	49	50
Total staff costs	974	894
Fee allocations to other Macquarie Group undertakings	36,850	46,633
Internal fee expenses	13,920	18,782
Brokerage expenses	17,129	23,733
Service cost recharged from other Macquarie Group entities	14,503	12,571
Rent and occupancy cost/(refund)	438	(56)
Depreciation charges		
Owned assets	4	10
Leased assets	-	520
Auditors' remuneration		
Fees payable to the Company's auditors for the audit of the Company ¹	241	192
Fees payable to the Company's auditors for other services ²	129	123
Other administrative expenses	2,717	3,052
Total administrative expenses	86,905	106,454
¹ Fees payable to the Company's auditors for the current financial year includes £32,000 relating to previous financial year.		
² Fees payable to the Company's auditors for the current financial year includes £5,000 relating to previous financial year.		
Interest		
Interest receivable and similar income from:³		
Other Macquarie Group undertakings	3,589	345
Unrelated parties	96	13
Total interest receivable and similar income	3,685	358
³ Includes interest income calculated using effective interest method of £3,266,000 (2022: £317,000) on the financial assets in the Company that are measured at amortised cost and £337,000 (2022: £36,000) on the financial assets measured at FVOCI.		
Interest payable and similar expenses to:⁴		
Other Macquarie Group undertakings	1,077	1,004
Unrelated parties	16	300
Total interest payable and similar expenses	1,093	1,304
⁴ Includes interest expense of £1,093,000 (2022: £1,302,000) on the financial liabilities measured at amortised cost.		

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2023

Note 4. Loss before taxation (continued)

	2023 £'000	2022 £'000
Credit impairment charges		
Debtors	(2,246)	(1,479)
Total credit impairment charges	(2,246)	(1,479)
Other operating income		
Foreign exchange gain/(loss)	150	(131)
Other operating (loss)/income ⁵	(19)	768
Total other operating income	131	637

⁵Includes £nil current financial year gain as compared to a £696,000 previous financial year gain recognised from the transfer of the representative office in Spain to MCF. Please refer to Note 30 *Discontinued operations* for further details.

Note 5. Employee information

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

	No. of employees 2023	No. of employees 2022
Corporate Operations Group:		
Administration and support services	1	1
Macquarie Capital:		
Advisory and Sales	2	1
Administration and support services	1	3
Total employees	4	5

Note 6. Tax on loss

	2023 £'000	2022 £'000
(i) Tax included in loss		
Current tax		
UK corporation tax at 19% (2022: 19%)	1,429	1,302
Adjustments in respect of previous financial years	(1,388)	(236)
Foreign tax suffered	(7)	(21)
Total current tax	34	1,045
Deferred tax		
Origination and reversal of temporary differences	(60)	(363)
Adjustments in respect of previous financial years	(17)	160
Effect of changes in tax rates	(109)	(40)
Total deferred tax expense	(186)	(243)
Tax on loss	(152)	802

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2023

Note 6. Tax on loss (continued)

	2023 £'000	2022 £'000
(ii) Reconciliation of effective tax rate		
The income tax credit for the period is lower (2022: lower) than the standard rate of corporation tax in the UK of 19% (2022: 19%). The differences are explained below:		
Loss before taxation	4,828	2,908
Current tax charge at 19% (2022: 19%)	917	552
Effect of –		
Adjustment to tax charge in respect of previous financial years	(1,405)	(76)
Non deductible expenses	(37)	(48)
Foreign tax suffered	(7)	(21)
Deduction for foreign tax suffered	1	4
Bank surcharge	426	387
Non-assessable income	62	44
Effect of changes in tax rates	(109)	(40)
Total tax on loss	(152)	802

The UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

The UK banking surcharge rate will be reduced from 8% to 3% for the financial year beginning 1 April 2023 on amounts excluding £100m.

Note 7. Tangible assets

	As at 31 March 2023		
	Cost	Accumulated depreciation and impairment	Carrying value
	£'000	£'000	£'000
Assets for own use			
Furniture, fittings and leasehold improvements	297	(296)	1
Computer and communication equipment	3,418	(3,416)	2
Total assets for own use	3,715	(3,712)	3

The majority of the above amounts have expected useful lives longer than 12 months after the balance date.

The movement in the carrying value of the Company's tangible assets was as follows:

Assets for own use	Furniture, fittings and leasehold improvements	Computer and communication equipment	Total
	£'000	£'000	£'000
Balance at 1 April 2022	4	3	7
Acquisitions	-	2	2
Transfers	(1)	(1)	(2)
Depreciation expense (Note 4)	(2)	(2)	(4)
Balance as at 31 March 2023	1	2	3

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2023

Note 8. Cash at bank and in hand

	2023	2022
	£'000	£'000
Cash at bank and in hand ¹	10,551	11,317
Total cash at bank and in hand	10,551	11,317

¹Sufficient cash reserves are maintained to comply with the FCA's Basic Liquid Assets Requirement.

Note 9. Financial investments

	2023	2022
	£'000	£'000
Debt securities:		
Treasury bills ¹	4,970	4,999
Total Financial investments	4,970	4,999

¹Includes debt securities measured at FVOCI on which an impairment of £nil (2022: £nil) has been recognised in OCI and is not included in the carrying value above.

Note 10. Debtors

	2023	2022
	£'000	£'000
Amounts owed by other Macquarie Group undertakings ¹	323,198	565,233
Brokerage trade debtors ²	329,291	586,701
Fees and other receivables ³	10,990	15,081
Reverse repurchase agreements ⁴	5,005	35,011
Prepayments and accrued income	112	119
VAT recoverable	1,384	4,489
Income tax receivables	754	1,435
Other debtors	3,498	7,336
Total debtors	674,232	1,215,405

¹Amounts owed by other Macquarie Group undertakings are unsecured and have no fixed date of repayment.

²Brokerage trade debtor balances are generally receivable within two working days of the relevant trade date.

³Fees and other receivables include £2,180,000 (2022: £1,210,000) of contract assets and unbilled receivables.

⁴Represents reverse repurchase agreements with other Macquarie Group undertakings. The Company derives interest on these instruments at market rates. As at 31 March 2023 the rate applied was 4.10% with respect to sterling denominated instruments.

At the reporting date, Amounts owed by other Macquarie Group undertakings has an ECL allowance of £117,000 (2022: £75,000) which is net presented against the gross carrying amount. At the reporting date, Fees and other receivables has an ECL allowance of £3,698,000 (2022: £1,540,000) which is net presented against the gross carrying amount.

Note 11. Held for sale assets

	2023	2022
	£'000	£'000
Assets of disposal groups classified as held for sale ¹	-	1,621
Total held for sale assets	-	1,621

¹Primarily represents lease assets associated with Macquarie Capital (Europe) Limited, Niederlassung Deutschland and Macquarie Capital (Europe) Limited, Amsterdam Branch. On 10 December 2020, the Company entered into a Business Transfer Agreement with MCF to transfer the existing operating leases. The lease assets have been fully transferred. Refer to Note 30 *Discontinued operations* for further details on the transfer.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2023

Note 12. Expected credit losses

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

- Assets measured at amortised cost: Deduction against the gross carrying amount.
- Debt investments measured at FVOCI: Included in OCI since the asset's carrying value is measured at fair value.

The Company models ECL for on-balance sheet assets measured at amortised cost or FVOCI such as loans and debt securities.

Model inputs

The Company split its credit portfolio among other related Macquarie Group entities and wholesale exposures.

The key model inputs used in measuring the ECL include:

- Exposure at default ("EAD"): The EAD represents the estimated exposure in the event of a default.
- Probability of default ("PD"): The calculation of PDs for wholesale exposures is generally performed at a facility level. Wholesale portfolio PDs are a function of industry type, internal credit ratings and transition matrices used to determine a point in time PD estimate. PD estimates for wholesale portfolios are also adjusted for Forward looking information ("FLI").
- Loss given default ("LGD"): The LGD associated with the PD used is the magnitude of the ECL in a default event. The LGD is estimated using historical loss rates considering relevant factors for individual exposures or portfolios.

Significant increase in credit risk ("SICR")

The Company periodically assesses exposures to determine whether there has been a SICR, which may be evidenced by either qualitative or quantitative factors. Qualitative factors include, but are not limited to, material change in internal credit rating, whether an exposure has been identified and placed on CreditWatch, an internal credit monitoring mechanism supervised by the credit watch management committee to closely monitor exposures showing signs of stress. All exposures on CreditWatch are classified as Stage 2 or, if defaulted, as Stage 3.

SICR thresholds, which require judgement, are used to determine whether an exposure's credit risk has increased significantly. The SICR methodology is based on a relative credit risk approach which considers changes in an underlying exposure's credit risk since origination. This may result in exposures being classified in Stage 2 that are of a higher credit quality than other similar exposures that are classified as Stage 1. Accordingly, while similar increase in the quantum of Stage 2 exposures will suggest a relative deterioration of credit quality, it should not necessarily be inferred that the assets are of a lower credit quality.

Wholesale exposures

The Company assigns an internal credit rating to each exposure at origination based on information available at that date. These internal ratings are broadly aligned to external credit rating agencies such as Standard & Poor's and Moody's.

Where an exposures' assigned credit rating deteriorates beyond pre-defined thresholds, the exposure is categorised as Stage 2. The methodology has been calibrated so that a larger change in rating is required for higher quality credit rated exposures than for lower quality credit rated exposures to be classified as Stage 2.

For wholesale portfolios, the IFRS 9 'low credit risk' exemption is not applied by the Company to material portfolios.

Definition of default

The Company's definition of default determines the reference point for the calculation of the ECL components, and in particular the PD. Default is generally defined as the point when the borrower is unlikely to pay its credit obligations in full, without recourse by the Company actions such as realisation of available security; or the borrower is 90 days or more past due on an obligation to the Company.

The Company periodically monitors its exposures for potential indicators of default such as significant financial difficulty of the borrower which includes breaches of lending covenants; it is probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties; or the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2023

Note 12. Expected credit losses (continued)

Forward looking information

The inclusion of FLI in calculating ECL allowances adjusts the PD, the determination of SICR as well as the LGD (that is relevant to the determination of the recovery rates on collateral). The predicted relationships between these key indicators and the key model components (EAD, PD and LGD) in measuring the ECL have been developed by analysing historical data as part of the development of internal models, and the calibration and validation process.

The Company applied its professional judgement in determining whether there are any inherent risks in the models' predictive outcomes. The overlays primarily reflect management's assessment of the current economic and credit environment relative to the FLI credit cycle model. These overlays account for the risk that underlying credit risk events have occurred but observable modelled inputs are yet to reflect those events, as well as risks that are specific to regions, counterparties or industries which are difficult to account for within the modelled outcomes. Over time the credit models are recalibrated to enhance the predictive capability. At the reporting date this overlay was not material to the Company's ECL. These judgements are reviewed by FMG and RMG at each reporting date.

RMG is responsible for the FLI including the development of scenarios recommending and the range of probability weights to apply to those scenarios. For this purpose, four possible economic scenarios have been developed, being an upside, downside, severe downside and baseline scenario. In calculating the ECL, each of the scenarios are probability weighted and then applied to the exposures' PDs and LGDs.

The below table presents the gross exposure and related ECL allowance for each class of assets subject to impairment requirements of IFRS 9 *Financial instruments*¹.

	As at 31 March 2023		As at 31 March 2022	
	Gross exposure ¹ £'000	ECL allowance £'000	Gross exposure ¹ £'000	ECL allowance £'000
Fees receivable	14,688	3,698	16,621	1,540
Amounts owed by other Macquarie Group undertakings	323,315	117	565,308	75
Total credit impaired assets	338,003	3,815	581,929	1,615

¹The gross exposure of assets measured at amortised cost represents the amortised cost before the ECL allowance and the gross exposure of financial assets measured at FVOCI represents amortised cost before fair value adjustments and ECL allowance. Accordingly, these exposures will not equal the amount as presented in the Balance Sheet.

The ECL provision held against the fees receivable was £3,698,000 (2022: £1,540,000), of which £3,577,000 (2022: £1,196,000) related to a single provision due to a counterparty experiencing significant financial difficulty. Whilst the ECL provision on fees receivable is relatively low in the context of the staging of the fees receivable, each individual exposure has had an ECL provision calculated for it based on internal historical default data. The overall provision is considered reasonable in the context of the short term nature of the fees receivable and the fact they are mostly due from investment grade counterparties.

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 1 April 2021	33	103	136
Impairment charge/(reversal) (Note 4)	1,507	(28)	1,479
Balance as at 31 March 2022	1,540	75	1,615
Impairment charges (Note 4)	2,204	42	2,246
Amounts written off, previously provided for	(46)	-	(46)
Balance as at 31 March 2023	3,698	117	3,815

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2023

Note 12. Expected credit losses (continued)

The table below represents the reconciliation from the opening balance to the closing balance of ECL allowances on financial assets to which the impairment requirements under IFRS 9 are applied.

ECL on Financial assets

	Stage 1 12 month ECL £'000	Stage 2 Not Credit Impaired £'000	Stage 3 Credit Impaired £'000	Total ECL Allowance £'000
Balance as at 1 April 2021	125	11	-	136
Credit impairment charge/(reversal)	(38)	164	1,353	1,479
Balance as at 31 March 2022	87	175	1,353	1,615
Credit impairment charge/(reversal)	42	(175)	2,379	2,246
Amounts written off, previously provided for	-	-	(46)	(46)
Balance as at 31 March 2023	129	-	3,686	3,815

The net movement during the current financial year in the Stage 3 ECL allowance for financial assets is attributable to fee receivable exposures being fully provided for as occurs in the normal course of business.

Note 13. Deferred tax assets/(liabilities)

The balance comprises temporary differences attributable to:

	Fixed assets £'000	Share Based Payments £'000	Pension Plans £'000	Other Employment Provisions £'000	Other Assets £'000	Total £'000
Deferred tax assets						
Balance as at 1 April 2021	901	77	90	223	3	1,294
Deferred tax charged to profit and loss account for the period	(119)	(45)	3	(217)	-	(378)
Deferred tax charged to equity	-	(12)	-	-	-	(12)
Balance as at 31 March 2022	782	20	93	6	3	904
Deferred tax charged to profit and loss account for the period	(225)	(10)	-	16	33	(186)
Deferred tax charged to equity	-	(10)	(93)	-	-	(103)
Balance as at 31 March 2023	557	-	-	22	36	615

	Fixed assets £'000	Share Based Payments £'000	Pension Plans £'000	Other Employment Provisions £'000	Other Liabilities £'000	Total £'000
Deferred tax liabilities						
Balance as at 1 April 2021	-	-	-	-	-	-
Balance as at 31 March 2022	-	-	-	-	-	-
Deferred tax charged to equity	-	-	-	-	(8)	(8)
Balance as at 31 March 2023	-	-	-	-	(8)	(8)

The above amounts are expected to be recovered after 12 months of the balance date by the Company.

In applying judgement in recognising deferred tax assets, management has assessed all available information, including future business profit projections. Management's assessment of the likely availability of future taxable profits against which to recover deferred tax assets is based on the most recent financial forecasts approved by management, takes into consideration the reversal of existing taxable temporary differences and past business performance.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2023

Note 14. Creditors: amounts falling due within one year

	2023	2022
	£'000	£'000
Amounts owed to other Macquarie Group undertakings ¹	271,394	416,567
Brokerage trade creditors ^{2,3}	242,585	615,110
Other creditors ³	2,520	4,683
Total creditors: amounts falling due within one year	516,499	1,036,360

¹Amounts owed to other Macquarie Group undertakings are unsecured and have no fixed date of repayment.

²Brokerage trade creditor balances are generally payable within two working days of the relevant trade date.

³Certain brokerage trade creditors balances of £896,000 (2022: £2,443,000) have been reclassified from Brokerage trade creditors to Other creditors as the balances are generally payable outside of two working days of the relevant trade date.

Note 15. Held for sale liabilities

	2023	2022
	£'000	£'000
Liabilities of disposal groups classified as held for sale ¹	-	1,617
Total held for sale liabilities	-	1,617

¹Primarily represents lease assets associated with Macquarie Capital (Europe) Limited, Niederlassung Deutschland and Macquarie Capital (Europe) Limited, Amsterdam Branch. On 10 December 2020, the Company entered into a Business Transfer Agreement with MCF to transfer the existing operating leases. The lease assets have been fully transferred. Refer to Note 30 *Discontinued operations* for further details on the transfer.

Note 16. Creditors: amounts falling due after more than one year

	2023	2022
	£'000	£'000
Amounts owed to other Macquarie Group undertakings ¹	-	17,690
Total creditors: amounts falling due after more than one year	-	17,690

¹Amounts due to other Macquarie Group undertakings have a maturity date of 13 September 2023. The Company incurs interest on amounts owed to other Macquarie Group undertakings.

The Company has not had any defaults of principal, interest or other breaches with respect to its debt during the financial years reported.

Note 17. Provisions for liabilities

	2023	2022
	£'000	£'000
Provisions for liabilities ¹	354	677
Provisions for employee entitlements	417	170
Total provisions for liabilities	771	847

¹Make good provisions of £nil (2022: £256,000) represent balances associated with Macquarie Capital (Europe) Limited, Niederlassung Deutschland and Macquarie Capital (Europe) Limited, Amsterdam Branch whereas the Company is required to return the building to its original state after the lease contract ends.

Of the above amounts, £727,000 (2022: £749,000) is expected to be settled within 12 months of the reporting date by the Company.

Reconciliation of employee entitlement provisions:

Balance at the beginning of the financial year	170	1,801
Provisions made during the financial year	418	71
Provisions used during the financial year	(142)	(1,174)
Transfers to other Macquarie Group undertakings	(33)	(526)
Foreign exchange movements	4	(2)
Balance at the end of the financial year	417	170

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2023

Note 18. Pension commitments

The Company operates a defined benefit pension scheme with assets held in separately administered funds with Swiss Life. In 2010, the Company acquired an equity trading and derivatives business and assumed the assets and associated obligations of the defined benefit pension plan of the employees related to this business. The scheme is composed of four separate plans, with one plan for current employees in Switzerland (1F9696) and three plans for former employees in Germany (AV Opp 2005, Def Comp, and VO 1995). The scheme provides a capital payment or an ongoing pension as well as 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 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 a 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 expectancy 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.

The scheme provides benefits under 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 GBP 78,168 (CHF 88'200) (amount in 2023) must be insured, the financing is age-related with contribution rates in percent 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 outlined 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 and employees from Macquarie Capital (Europe) Ltd., Geneva. 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.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2023

Note 18. Pension commitments (continued)

The MCEL head office 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 valuation of the Company's defined benefit pension plan was at 31 March 2023. 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:

	Switzerland 2023	Switzerland 2022	Germany 2023	Germany 2022
	%	%	%	%
Discount rates	2.20	1.23	4.06	2.09
Pension increase rate	0.00	0.00	1.00	1.00
Inflation assumptions	1.30	0.70	1.00	1.00

The mortality assumptions used in the valuation of the defined benefit pension liabilities of the Swiss and German plans at 31 March 2023 are summarised in the table below. These are based on the BVG 2020 actuarial tables for the Swiss plan and the Heubeck RT 2018 G actuarial tables for the German plans.

	Switzerland 2023	Switzerland 2022	Germany 2023	Germany 2022
Longevity at age 65 – current				
Men	22.82	22.70	20.76	20.61
Women	24.59	24.48	24.16	24.04
Longevity at age 65 – future				
Men	25.07	24.97	23.49	23.36
Women	26.58	26.49	26.36	26.26

Due to the size of the pension plan, no single actuarial assumption noted above is considered material to the Company. Therefore, no sensitivity analysis has been performed.

Plan assets and rates of return were as follows:

	Long-term rate of return expected 31 March 2023	Value as at 31 March 2023	Long-term rate of return expected 31 March 2022	Value as at 31 March 2022
	%	£'000	%	£'000
Cash	1.2	580	0.9	554
Equity	5.4	429	5.6	427
Debt Securities	2.4	163	1.4	168
Assets held by insurance company	2.4	1,252	1.4	1,098
Asset ceiling adjustments		(92)		-
Total market value of assets		2,332		2,247
Present value of plan liabilities		(2,883)		(3,276)
Net deficit of the plan		(551)		(1,029)
Deferred tax associated with actuarial gain		(98)		7
Net pension plan liability		(649)		(1,022)

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2023

Note 18. Pension commitments (continued)

	2023 £'000	2022 £'000
Reconciliation of present value of scheme liabilities:		
Balance at the beginning of the financial year	3,276	3,589
Current service cost	60	71
Past service cost	(23)	(65)
Interest cost	60	37
Contributions by plan participants	22	24
Foreign currency exchange rate movements	178	67
Premiums paid	(14)	(15)
Benefits paid from the plan	(35)	(32)
Actuarial gains arising from changes in financial assumptions	(635)	(369)
Actuarial gains arising from liability experience adjustments	(6)	(31)
Balance at the end of the financial year	2,883	3,276

Reconciliation of fair value of scheme assets:		
Balance at the beginning of the financial year	2,247	2,141
Expected return on scheme assets	39	20
Actuarial losses	(55)	(38)
Foreign currency exchange rate movements	135	62
Premiums paid	(14)	(15)
Contributions paid by participants	22	24
Benefits paid from the plan	(35)	(32)
Contributions paid by the Company	85	85
Asset ceiling adjustment	(92)	-
Balance at the end of the financial year	2,332	2,247

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 financial year was a loss of £15,000 (2022: a loss of £18,000).

It is estimated that in the financial year to 31 March 2024, the Company will make additional contributions to the plan of £72,000.

	2023 £'000	2022 £'000
Amounts recognised in the profit and loss account are as follows:		
Current service cost	60	71
Past service cost	(23)	(65)
Expected return on pension scheme assets	(39)	(20)
Interest on pension plan liabilities	60	37
Total charge	58	23

The current service cost is included within Administration expenses category in the profit and loss account.

Experience adjustments in plan assets	(55)	(38)
Experience adjustments in plan liabilities	641	400
Change in asset ceiling	(92)	-
Total actuarial gain recognised in statement of comprehensive income	494	362

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2023

Note 19. Called up share capital and share premium reserves

	2023 '000	2022 '000	2023 £'000	2022 £'000
Called up share capital				
Opening balance of fully paid ordinary shares at £1 per share	331,601	331,601	331,601	331,601
Closing balance of fully paid ordinary shares at £1 per share	331,601	331,601	331,601	331,601
Share premium reserve				
Opening balance of share premium reserve			4,999	4,999
Closing balance of share premium reserve			4,999	4,999

Note 20. Contribution from ultimate parent entity in relation to share-based payments

	2023 £'000	2022 £'000
Equity contribution from parent entity		
Opening balance of equity contribution from parent entity	2,105	2,117
Equity contribution from ultimate parent entity as a result of deferred tax on share based payments	(9)	(12)
Total equity contribution from parent entity	2,096	2,105

Note 21. Reserves and profit and loss account

	2023 £'000	2022 £'000
Reserves		
Foreign currency translation reserve		
Balance at the beginning of the financial year	305	(271)
Foreign exchange movement on translation of foreign operations, net of tax	428	576
Balance at the end of the financial year	733	305
Foreign exchange movement arising from the translation of the Company's foreign branches, which have functional currencies other than Pound Sterling, are recognised within reserves.		
FVOCI reserve		
Balance at the beginning of the financial year	(2)	(7)
Revaluation (loss)/gain recognised in OCI	(3)	5
Balance at the end of the financial year	(5)	(2)
Retirement benefit reserve		
Balance at the beginning of the financial year	140	(229)
Actuarial gains on pension schemes	494	362
Deferred tax associated with actuarial gain	(98)	7
Balance at the end of the financial year	536	140
Total reserves	1,264	443
Profit and loss account		
Balance at the beginning of the financial year	(162,438)	(160,332)
Loss for the financial year	(4,980)	(2,106)
Balance at the end of the financial year	(167,418)	(162,438)
Total profit and loss account	(167,418)	(162,438)

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2023

Note 22. Capital management strategy

The Company's capital management strategy is to maximise shareholder value through optimising the mix, 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 maintain sufficient capital resources to:

- ensure sufficient capital resource to support the Company's business and operation requirements;
- maintain sufficient capital to exceed externally imposed capital requirements; and
- safeguard the Company's ability to continue as a going concern.

Periodic reviews of the Company's capital requirements are performed to ensure the Company is meeting its objectives. Capital is defined as share capital plus reserves, including the 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, refer to the public disclosure documents made available on the Company's website which are unaudited and do not form part of this report.

Note 23. 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 33 *Ultimate parent undertaking*.

The Master Loan Agreement (the "MLA") governs the funding arrangements between various subsidiaries and related body corporate entities which are under the common control of MGL and have acceded to the MLA. The Tripartite Outsourcing Major Services Agreement ("TOMSA") governs the provision of intra-group services between subsidiaries and related body corporate entities other than certain excluded entities.

Relationships with an entity which is not a party to the MLA have been presented on a gross basis.

All transactions with related entities were made on normal commercial terms and conditions and at market rates except where indicated.

Related entities

Transactions between the Company with related entities principally arise from the provision of corporate advisory services.

Details of transactions from related party undertakings are as below:

31 March 2023

Nature of Related party	Corporate advisory fees £'000	Expenses invoiced to client £'000	Expenses to be charged to client £'000	Receivable as at 31 March 2023 ¹ £'000
Associates and joint ventures of the Macquarie Group	6,013	-	-	1,994

¹Receivables are disclosed net of ECL allowance. The Company has incurred £2,380,000 of ECL expenses which is included in net impairment losses on financial assets in the profit and loss account.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2023

Note 23. Related party information (continued)

Details of transactions from related party undertakings are as below:
31 March 2022

Nature of Related party	Corporate advisory fees £'000	Expenses invoiced to client £'000	Expenses to be charged to client £'000	Receivable as at 31 March 2022 ¹ £'000
Associates and joint ventures of the Macquarie Group	11,009	-	-	2,703

¹Receivables are disclosed net of ECL allowance. The Company has incurred £1,196,000 of ECL expenses which is included in net impairment losses on financial assets in the profit and loss account.

Note 24. Directors' remuneration

Independent Non-Executive Directors' emoluments paid by the Company for the financial year ended 31 March 2023 were £220,000 (2022: £220,000).

During the financial years ended 31 March 2023 and 31 March 2022, 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.

Note 25. Employee equity participation

Macquarie Group Employee Retained Equity Plan ("MEREP")

The Company participates in its ultimate parent company's, MGL, share based compensation plans, being the MEREP. In terms of this plan, awards are granted by MGL to qualifying employees for delivery of MGL shares.

Award Types under the MEREP

Restricted Share Units ("RSUs")

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

No RSU awards were granted during the current or prior financial year.

	Number of RSU Awards	
	2023	2022
RSUs on issue at the beginning of the financial year	141	679
Vested RSUs withdrawn or sold from the MEREP during the financial year	(141)	(327)
Net transfers from/(to) related body corporate entities ¹	2,465	(211)
RSUs on issue at the end of the financial year	2,465	141
RSUs vested and not withdrawn from the MEREP at the end of the financial year	-	-

¹Net transfers from related body corporate entities during the year includes transfers relating to the transfer of employees within Macquarie Group entities.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2023

Note 25. Employee equity participation (continued)

Award Types under the MEREP (continued)

Deferred Share Units ("DSUs")

A DSU represents the right to receive on exercise of the DSU either an MGL share held in the Trust or a newly issued MGL 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, where permitted by law, 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 the MGL's 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. However, holders of DSUs will have no voting rights with respect to any underlying MGL ordinary shares.

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.

There are no DSUs granted in the current as well as in previous financial year.

	Number of DSU Awards	
	2023	2022
DSUs on issue at the beginning of the financial year	367	3,992
Net transfers to related body corporate entities ¹	-	(3,625)
DSUs on issue at the end of the financial year	367	367
DSUs exercisable at the end of the financial year	121	-

¹Net transfers from related body corporate entities during the year includes transfers relating to the transfer of employees within Macquarie Group entities.

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")
- New Macquarie 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")
- In limited circumstances, Macquarie staff may receive an equity grant instead of a remuneration or consideration payment in cash. Current examples include individuals who become employees of MGL upon the acquisition of their employer by a Macquarie Bank entity or who receive an additional award at the time of joining Macquarie (also referred to above as 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

¹Vesting will occur during an eligible staff trading window.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2023

Note 25. Employee equity participation (continued)

Award Types under the MEREP (continued)

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

For Retained Profit Share awards representing 2022 retention, the allocation price was the weighted average price of the shares acquired for the 2022 purchase period, which was 16 May 2022 to 21 June 2022. That price was calculated to be £88.89 (2021 retention: £79.89).

Assumptions used to determine fair value of MEREP awards

RSUs and DSUs are measured at their grant dates based on their fair value. This amount is recognised as an expense evenly over the respective vesting periods.

While RSUs and DSUs for FY2023 performance will be granted during FY2024, the Company begins recognising an expense for these awards (based on an initial estimate) from 1 April 2022 related to these future grants. The expense is estimated using the estimated MEREP retention for FY2023 and applying the amortisation profile to the retained amount.

In the following financial year, the Company will adjust the accumulated expense recognised for the final determination of fair value for each RSU and DSU when granted and will use this valuation for recognising the expense over the remaining vesting period.

MGL annually reviews 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 employment expenses in the profit and loss account.

For the financial year ended 31 March 2023, compensation expense relating to the MEREP totalled £94,000 (2022: £(209,000)).

¹For employees categorised as Material Risk Takers who are required to comply with the European Banking Authority Guidelines on the CRD IV remuneration requirements, the fair value of the awards granted for performance periods after 1 April 2019 has been adjusted to take into account the prohibition of dividends on unvested awards.

Note 26. 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.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2023

Note 27. Financial risk management

Risk Management Group ("RMG")

Risk is an integral part of the Macquarie Group's businesses. The principal risks faced by the Company include credit risk, liquidity risk, market risk, operational risk, group risk, conduct risk, regulatory & compliance risk, strategic/business risk, environmental & social risk, financial crime risk, and technology & cyber risk.

The primary responsibility for risk management lies with the business. An important part of the role of all staff throughout Macquarie Group 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 reviews and assesses risks and sets limits. Where appropriate, these limits are approved by the Executive Committee and the Board. The Head of RMG, as Macquarie's 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.

During the current reporting period the Company's credit risk management framework remained consistent with that of the prior period.

The risks to which the Company are exposed are managed on a globally consolidated basis for MGL as a whole, including all subsidiaries in all locations. Macquarie Group'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).

27.1 Credit risk

Credit risk is the risk that a counterparty will fail to complete its contractual obligations when they fall due. The consequential loss is the amount of the financial obligation not paid back, 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 the RMG at MGL.

Credit assessment and approval

Exercise of credit authority within Macquarie Group is undertaken under authority delegated by the MGL and Macquarie Bank Limited ("MBL") Boards directly. Credit risk assessment includes a comprehensive review of the creditworthiness of the counterparty and related entities, key risk and mitigants, and that the downside risk is properly understood and acceptable.

After this analysis is undertaken, limits are set for an acceptable level of potential exposure. All wholesale limits and ratings are reviewed at least once a year or more frequently if required.

All credit exposures are monitored regularly against limits. For limit monitoring, credit exposures for loan assets are reported at amortised cost or fair value.

To mitigate credit risk, where appropriate, the Company makes use of margining and other forms of collateral or credit enhancement techniques.

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.

The balances disclosed in the credit risk tables below include only those financial assets that are subject to the impairment requirements of IFRS 9.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2023

Note 27. Financial risk management (continued)

27.1 Credit risk (continued)

Ratings and reviews

Refer to Note 12 *Expected credit losses* for details regarding the manner in which the Company has adopted and applied IFRS 9's expected credit loss impairment requirements.

For the purpose of presenting the credit risk associated with assets on the Company's balance sheet in accordance with the requirements of IFRS 9, the following methodology has been adopted:

Wholesale rating

Macquarie Group 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	MQ9 to MQ16	BB+ to C
Default	MQ99	Default

Due from related parties

Balances with related parties are mapped to the rating grades assigned internally to these counterparties for the pricing of internal funding arrangements on an arm's length basis.

Portfolio and country risk

A review of the credit portfolio analysing credit concentrations by counterparty, geography, risk type, industry and credit quality is carried out quarterly and reported to the Board semi-annually. Policies are in place to regulate large exposures to single counterparties or groups of counterparties. The Company has a country risk management framework which covers the assessment of country risk and the approval of country risk limits. Where appropriate the country risk is mitigated by political risk insurance.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2023

Note 27. Financial risk management (continued)

27.1 Credit risk (continued)

Credit quality of financial assets

The table below discloses, by credit rating grades and ECL impairment stage, the gross carrying amount¹ of assets measured at amortised cost or FVOCI of the Company subject to the impairment requirements of IFRS 9 *Financial Instruments*. The credit quality is based on the counterparty's credit rating using the Company's credit rating system and excludes the benefit of collateral and credit enhancements.

	As at 31 March 2023			
	Stage 1 ²	Stage 2 ²	Stage 3 ²	Total
	£'000	£'000	£'000	£'000
Investment Grade				
Cash and bank balances	10,551	-	-	10,551
Financial investments	4,970	-	-	4,970
Amounts owed by other Macquarie group undertakings	323,315	-	-	323,315
Reverse repurchase agreements	5,005	-	-	5,005
Fees and other receivables	2,829	-	-	2,829
Brokerage trade debtors	271,476	-	-	271,476
Other debtors	17,273	-	-	17,273
Total investment grade	635,419	-	-	635,419
Non-investment grade				
Fee receivable	2,428	1,817	2,422	6,667
Brokerage trade debtors	57,815	-	-	57,815
Other debtors	(13,812)	-	-	(13,812)
Total non-investment grade	46,431	1,817	2,422	50,670
Default				
Fees and other receivables	-	-	4,028	4,028
Total default	-	-	4,028	4,028
Total gross credit risk	681,850	1,817	6,450	690,117
Total gross credit risk by ECL stage				
Cash and bank balances	10,551	-	-	10,551
Financial investments	4,970	-	-	4,970
Amounts owed by other Macquarie group undertakings	323,315	-	-	323,315
Reverse repurchase agreements	5,005	-	-	5,005
Fees and other receivables	5,257	1,817	6,450	13,524
Brokerage trade debtors	329,291	-	-	329,291
Other debtors	3,461	-	-	3,461
Total gross credit risk by ECL stage²	681,850	1,817	6,450	690,117

¹The gross exposure of financial assets measured at amortised cost represents the amortised cost before ECL allowance and the gross exposure of financial assets measured at FVOCI represents carrying value before fair value adjustments and ECL allowance. Accordingly, these exposure will not be equal to the amount as presented in the Balance sheet.

²For definition of Stage 1, 2, 3 refer Note 3 (xiii) *Impairment*. Whilst exposures may have migrated to Stage 2 it should not be inferred that such exposures are of a lower credit quality. The ECL for the Stage 3 assets includes the benefit of collateral and other credit enhancements.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2023

Note 27. Financial risk management (continued)

27.1 Credit risk (continued)

Credit quality of financial assets (continued)

	As at 31 March 2022			
	Stage 1 ²	Stage 2 ²	Stage 3 ²	Total
	£'000	£'000	£'000	£'000
Investment Grade				
Cash and bank balances	11,317	-	-	11,317
Financial investments	4,999	-	-	4,999
Amounts owed by other Macquarie group undertakings	565,308	-	-	565,308
Reverse repurchase agreements	35,011	-	-	35,011
Fees and other receivables	11,486	1,307	1,807	14,600
Brokerage trade debtors	433,260	-	-	433,260
Other debtors	18,436	-	-	18,436
Total investment grade	1,079,817	1,307	1,807	1,082,931
Non-investment grade				
Fee receivable	48	-	158	206
Brokerage trade debtors	153,441	-	-	153,441
Other debtors	(11,148)	-	-	(11,148)
Total non-investment grade	142,341	-	158	142,499
Default				
Fees and other receivables	-	-	1,196	1,196
Total default	-	-	1,196	1,196
Total gross credit risk	1,222,158	1,307	3,161	1,226,626
Total gross credit risk by ECL stage				
Cash and bank balances	11,317	-	-	11,317
Financial investments	4,999	-	-	4,999
Amounts owed by other Macquarie group undertakings	565,308	-	-	565,308
Reverse repurchase agreements	35,011	-	-	35,011
Fees and other receivables	11,534	1,307	3,161	16,002
Brokerage trade debtors	586,701	-	-	586,701
Other debtors	7,288	-	-	7,288
Total gross credit risk by ECL stage²	1,222,158	1,307	3,161	1,226,626

¹The gross exposure of financial assets measured at amortised cost represents the amortised cost before ECL allowance and the gross exposure of financial assets measured at FVOCI represents carrying value before fair value adjustments and ECL allowance. Accordingly, these exposure will not be equal to the amount as presented in the Balance sheet.

²For definition of Stage 1, 2, 3 refer Note 3 (xiii) *Impairment*. Whilst exposures may have migrated to Stage 2 it should not be inferred that such exposures are of a lower credit quality. The ECL for the Stage 3 assets includes the benefit of collateral and other credit enhancements.

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 (refer to Note 28 *Measurement categories of financial instruments*).

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2023

Note 27. Financial risk management (continued)

27.1 Credit risk (continued)

Credit risk concentration

The tables below detail the concentration of credit risk by significant geographical locations and counterparty type of the Company's assets measured at amortised cost or FVOCI subject to the impairment requirements of IFRS 9 *Financial Instruments*. The geographical location is determined by the country of risk. Counterparty type is based on Prudential Regulation Authority ("PRA") classification.

As at 31 March 2023	Cash at Bank and in hand £'000	Financial investments £'000	Brokerage trade debtors £'000	Amounts owed by other Macquarie Group undertakings £'000	Reverse Repurchase Agreements £'000	Fees and other receivables ¹ £'000	Other debtors ¹ £'000	Total £'000
Australia								
Financial institutions	-	-	98,468	156,761	-	-	-	255,229
Other	-	-	27,720	5	-	17	(14,348)	13,394
Total Australia	-	-	126,188	156,766	-	17	(14,348)	268,623
Americas								
Financial institutions	-	-	6,242	1,583	-	915	-	8,740
Total Americas	-	-	6,242	1,583	-	915	-	8,740
Asia Pacific								
Financial institutions	10,181	-	-	7,022	-	-	-	17,203
Other	-	-	-	10	-	-	-	10
Total Asia Pacific	10,181	-	-	7,032	-	-	-	17,213
Europe, Middle East & Africa								
Government and public authorities	-	4,970	2,011	-	-	-	-	6,981
Financial institutions	370	-	99,407	154,355	5,005	119	17,700	276,956
Other	-	-	95,443	3,579	-	12,473	109	111,604
Total Europe, Middle East & Africa	370	4,970	196,861	157,934	5,005	12,592	17,809	395,541
Total gross credit risk²	10,551	4,970	329,291	323,315	5,005	13,524	3,461	690,117

¹This balance excludes non-financial assets totalling £3,451,000 which are included in Note 10 *Debtors*.

²The gross exposure of financial assets measured at amortised cost represents the amortised cost before the ECL allowance and the gross exposure of financial assets measured at FVOCI represents carrying value before fair value adjustments and ECL allowance. Accordingly, these exposures will not be equal to the amount as presented in the Balance Sheet.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2023

Note 27. Financial risk management (continued)

27.1 Credit risk (continued)

Credit risk concentration (continued)

As at 31 March 2022	Cash at Bank and in hand £'000	Financial investments £'000	Brokerage trade debtors £'000	Amounts owed by other Macquarie Group undertakings £'000	Reverse Repurchase Agreements £'000	Fees and other receivables ¹ £'000	Other debtors ¹ £'000	Total £'000
Australia								
Financial institutions	-	-	113,086	418,081	35,011	-	3	566,181
Other	-	-	72,904	-	-	16	(62,927)	9,993
Total Australia	-	-	185,990	418,081	35,011	16	(62,924)	576,174
Americas								
Financial institutions	-	-	2,212	9,603	-	-	-	11,815
Total Americas	-	-	2,212	9,603	-	-	-	11,815
Asia Pacific								
Financial institutions	10,003	-	-	12,902	-	-	-	22,905
Total Asia Pacific	10,003	-	-	12,902	-	-	-	22,905
Europe, Middle East & Africa								
Government and public authorities	-	4,999	1,094	-	-	-	-	6,093
Financial institutions	1,314	-	396,685	124,371	-	1,240	70,094	593,704
Other	-	-	720	351	-	14,746	118	15,935
Total Europe, Middle East & Africa	1,314	4,999	398,499	124,722	-	15,986	70,212	615,732
Total gross credit risk²	11,317	4,999	586,701	565,308	35,011	16,002	7,288	1,226,626

¹This balance excludes non-financial assets totalling £8,710,000 which are included in Note 10 *Debtors*.

²The gross exposure of financial assets measured at amortised cost represents the amortised cost before the ECL allowance and the gross exposure of financial assets measured at FVOCI represents carrying value before fair value adjustments and ECL allowance. Accordingly, these exposures will not be equal to the amount as presented in the Balance Sheet.

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 (Refer to Note 28 *Measurement categories of financial instruments*).

Collateral and credit enhancements held

Reverse repurchase agreements

The Company enters into reverse repurchase transactions with counterparties which require lodgement of collateral. These arrangements include reverse repurchase agreements (collateralised financing arrangements), for which the fair value of the securities and commodities received as collateral is generally in excess of the principal amount.

The non-cash collateral received is not recognised by the Company on the balance sheet, as the risks and rewards of ownership remain with the counterparty. The Company is permitted to sell or re-pledge the securities and commodities received. In the absence of default by the counterparty, the Company has an obligation to return the non-cash collateral received to the counterparty.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2023

Note 27. Financial risk management (continued)

27.1 Credit risk (continued)

Collateral and credit enhancements held (continued)

Reverse repurchase agreements (continued)

The fair value of non-cash collateral held not recognised on the balance sheet as at 31 March 2023 is £5,013,000 (2022: £44,881,000). The Company is permitted to sell or re-pledge the entire value of securities received, of which the fair value of collateral sold or re-pledged is £nil (2022: £nil).

The fair value attributed to non-cash collateral held is judgmental and measured with reference to quoted prices in active markets where available (for example listed securities). If quoted prices in active markets are not available, the fair value are estimated using pricing models or other recognised valuation.

The factors taken into consideration by the Company when determining an asset is impaired are set out in Note 3(xiii) *Impairment*.

Ageing analysis of assets

As at 31 March 2023

	Less than 30 days	31 to 60 days	61 to 90 days	More than 90 days	Default	Total
Class of Financial Asset	£'000	£'000	£'000	£'000	£'000	£'000
Fees and other receivables	6,421	-	1,817	2,422	4,028	14,688
Total	6,421	-	1,817	2,422	4,028	14,688

As at 31 March 2022

	Less than 30 days	31 to 60 days	61 to 90 days	More than 90 days	Default	Total
Class of Financial Asset	£'000	£'000	£'000	£'000	£'000	£'000
Fees and other receivables	12,153	381	926	1,965	1,196	16,621
Total	12,153	381	926	1,965	1,196	16,621

A facility is considered to be past due when a contractual payment falls overdue by one or more days. When a facility is classified as past due, the entire facility balance after provisions is disclosed in the past due analysis.

27.2 Liquidity risk

Governance and oversight

Macquarie's liquidity risk management framework is designed to ensure that it is able to meet its obligations as they fall due under a range of market conditions.

Liquidity management is performed centrally by Group Treasury, with oversight from the MGL and MBL Asset and Liability Committee ("ALCO"), the MGL and MBL Boards, and RMG. Macquarie's liquidity policies are approved by the MGL and MBL Boards after endorsement by the respective ALCO and liquidity reporting is provided to the Boards on a regular basis. The MGL and MBL ALCOs include the MGL CEO, MBL CEO, CFO, CRO, COO, Group General Counsel, Co-Heads of Group Treasury and relevant Operating Group Heads.

RMG provides independent oversight of liquidity risk management, including ownership of liquidity policies and key limits and approval of material liquidity scenario assumptions.

Liquidity Risk is the risk that the firm will not be able to meet efficiently both expected and unexpected, current and future cash flow without affecting either daily operations or the financial condition of the firm.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2023

Note 27. Financial risk management (continued)

27.2 Liquidity risk (continued)

Governance and oversight (continued)

The Company's liquidity Risk Appetite Statement ("RAS") sets out that the Company must be able to meet all of its liquidity obligations during a period of liquidity stress, both throughout a wind-down of the Company and a 12-month period with no access to funding markets and with only a limited reduction in franchise businesses. The Company must also maintain sufficient liquid assets to meet all applicable regulatory requirements.

Based on the Macquarie Group Liquidity Risk Management Framework ("RMF"), the Company has its own established Liquidity RMF which is underpinned by a suite of framework documents including the Company's Liquidity Policy and related liquidity management processes, procedures and controls. Collectively, the framework seeks to ensure that the Company has robust liquidity risk management in place with sufficient liquid resources, both in terms of quality and quantity, to meet its liabilities as they fall due, thus minimising any potential harms arising from this risk.

The Liquidity RMF sets out the Company's approach to managing its liquidity in compliance with internal obligations and regulatory requirements outlined in the MiFIDPRU section of the FCA Handbook and associated FCA guidelines.

Further, the Liquidity RMF provides key metrics for the Company to manage Liquidity Risk within the Board-approved RAS, which seeks to ensure that, at all times, the Company:

- Holds liquid assets, at minimum, equal to one third of its Fixed Overheads Requirement ("FOR") and 1.6% of the total amount of any guarantees provided to clients, known as the Basic Liquid Assets Requirement ("BLAR"); and
- Determines the Liquid Assets Threshold Requirement ("LATR").

Any fixed FCA liquidity requirements are also incorporated as part of the RAS. As part of the ICARA process, the Company undertakes an assessment of its liquid assets necessary for ongoing operations, including during stressed conditions, and for an orderly wind-down. The Company calculates the amount of liquid assets that it needs to hold at any given time as part of its Overall Financial Adequacy Rule ("OFAR") compliance from a liquidity perspective, thus assessing its compliance with LATR, which is the sum of:

- the Company's BLAR; and
- the higher of:
 - the Company's estimate of the amount of liquid assets that it requires to fund its ongoing operations (including in stressed conditions);
 - the Company's estimate of the additional amount of liquid assets (over and above its BLAR) that it would require to ensure an orderly wind-down of its business.

Liquidity risks at the Company are identified through ongoing liquidity management and monitoring, which contribute to the development of the Company's Liquidity RMF and formulating stress testing scenario design and key assumptions.

Regular monitoring and reporting to relevant stakeholders, Senior Management and the Board on the Firm's liquidity position is undertaken by monitoring liquidity against the Company's key liquidity metrics. Any triggers or breaches would be escalated in line with the Company's Liquidity Escalations and Triggers Framework which formalises the procedures in place for instances when the Company's liquid assets fall below the internal or regulatory requirements.

The Company also has in place Early Warning Indicators ("EWIs") which provide an early warning view of impending liquidity risks to the entity. The monitoring and escalation of these indicators are completed as part of the business as usual ("BAU") processes and also form part of the Escalations and Triggers Framework.

During the most recent assessment, the Company has concluded that it complies with the relevant liquidity obligations by holding sufficient liquid assets at all times.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2023

Note 27. Financial risk management (continued)

27.2 Liquidity risk (continued)

Contractual undiscounted cash flows

The following tables summarise the maturity profile of the Company's financial liabilities as at 31 March based on a contractual undiscounted repayment basis and hence would vary from the carrying value as reported in the balance sheet at the reporting date. Repayments subject to notice are treated as if notice were given immediately. This does not reflect the behaviour of the expected cash flows indicated by the Company's deposit retention history since the Company expects that many customers will not request repayment on the earliest date the Company could be required to pay.

	On demand £'000	0 to 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	More than 5 years £'000	Total £'000
As at 31 March 2023						
Brokerage trade creditors	-	242,585	-	-	-	242,585
Amounts owed to other Macquarie						
Group undertakings	271,394	-	-	-	-	271,394
Other creditors ¹	896	835	-	-	-	1,731
Total undiscounted cash flows	272,290	243,420	-	-	-	515,710

¹Excludes items that are not financial instruments and non-contractual accruals and provisions.

	On demand £'000	0 to 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	More than 5 years £'000	Total £'000
As at 31 March 2022						
Brokerage trade creditors	-	615,110	-	-	-	615,110
Amounts owed to other Macquarie						
Group undertakings	416,567	-	-	17,690	-	434,257
Lease Liabilities ¹	-	90	1,527	-	-	1,617
Other creditors ²	2,443	1,194	-	-	-	3,637
Total undiscounted cash flows	419,010	616,394	1,527	17,690	-	1,054,621

¹Represent lease liabilities classified as HFS liabilities on the Balance Sheet. Refer to Note 30 *Discontinued operations* for further details on the transfer.

²Excludes items that are not financial instruments and non-contractual accruals and provisions.

27.3 Market risk

Market Risk

Market risk is the risk of adverse changes in the value of the Company's trading positions as a result of changes in market conditions. The Company is exposed to the following risks:

- **Price:** The risk of loss due to changes in price of a risk factor (Interest rates, foreign exchange, etc.).
- **Volatility:** The risk of loss due to changes in the volatility of a risk factor.
- **Correlation:** Risk that the actual correlation between two assets or variables is different from the assumed correlation.
- **Concentration:** Risk of over concentration of trading exposures in certain markets and products.

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 Group'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.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2023

Note 27. Financial risk management (continued)

27.3 Market risk (continued)

Interest rate risk

The Company has exposure to non-traded interest rate risk generated by interest bearing assets and liabilities.

The table below indicates the Company's exposure to movements in interest rates as at 31 March:

		2023	2022
	Movement in basis points	Sensitivity of profit before tax £'000	Sensitivity of profit before tax £'000
Australian Dollar	+50	-	(3)
Great British Pound	+50	101	208
Euro	+50	2	2
United States Dollar	+50	2	(2)
Other currencies	+50	5	5
Australian Dollar	-50	-	3
Great British Pound	-50	(101)	(208)
Euro	-50	(2)	(2)
United States Dollar	-50	(2)	2
Other currencies	-50	(5)	(5)

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 and loss account due to the revaluation of certain balances or in movements in the foreign currency translation reserve due to the revaluation of foreign operations.

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

		2023		2022
	Movement in exchange rates %	Sensitivity of equity after tax £'000	Movement in exchange rates %	Sensitivity of equity after tax £'000
Australian Dollar	+10	(163)	+10	(373)
Euro	+10	(325)	+10	112
United States Dollar	+10	(174)	+10	4
Other	+10	751	+10	682
Total		89		425
Australian Dollar	-10	163	-10	373
Euro	-10	325	-10	(112)
United States Dollar	-10	174	-10	(4)
Other	-10	(751)	-10	(682)
Total		(89)		(425)

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2023

Note 28. Measurement categories of financial instruments

The following table contains information relating to the measurement categories of assets and liabilities of the Company. The description of measurement categories are included in Note 3(iv) *Financial instruments*. The methods and significant assumptions that have been applied in determining the fair values of assets and liabilities are disclosed in Note 29 *Fair value of assets and 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			
	FVOCI	Amortised	Non-	Total
As at 31 March 2023	£'000	cost	financial	£'000
	£'000	£'000	instruments	£'000
Fixed assets				
Tangible assets	-	-	3	3
Current assets				
Cash at bank and in hand	-	10,551	-	10,551
Financial investments	4,970	-	-	4,970
Debtors ¹	5,005	665,775	3,452	674,232
Deferred tax assets	-	-	607	607
Total assets	9,975	676,326	4,062	690,363
Current liabilities				
Creditors: amounts falling due within one year	-	(515,710)	(789)	(516,499)
Total current liabilities	-	(515,710)	(789)	(516,499)
Other liabilities				
Provisions for liabilities	-	-	(771)	(771)
Pension liability	-	-	(551)	(551)
Total other liabilities	-	-	(1,322)	(1,322)

¹Non-financial assets primarily represents Fees and other receivables, Income tax receivables, and VAT recoverable.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2023

Note 28. Measurement categories of financial instruments (continued)

The following table summarises the categories of financial instruments under IFRS 9:

	Financial Instruments			
	Carried at fair value			
	FVOCI	Amortised	Non-	Total
As at 31 March 2022	£'000	cost	financial	£'000
		£'000	instruments	
			£'000	£'000
Fixed assets				
Tangible assets	-	-	7	7
Current assets				
Cash at bank and in hand	-	11,317	-	11,317
Financial investments	4,999	-	-	4,999
Debtors ¹	35,011	1,173,722	6,672	1,215,405
Held for sale assets	-	-	1,621	1,621
Deferred tax assets	-	-	904	904
Total assets	40,010	1,185,039	9,204	1,234,253
Current liabilities				
Creditors: amounts falling due within one year	-	(1,035,314)	(1,046)	(1,036,360)
Held for sale liabilities	-	-	(1,617)	(1,617)
Total current liabilities	-	(1,035,314)	(2,663)	(1,037,977)
Other liabilities				
Creditors: amounts falling due after more than one year	-	(17,690)	-	(17,690)
Provisions for liabilities	-	-	(847)	(847)
Pension liability	-	-	(1,029)	(1,029)
Total other liabilities	-	(17,690)	(1,876)	(19,566)

¹Non-financial assets primarily represents Fees and other receivables, Income tax receivables, and VAT recoverable.

Note 29. Fair values of 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 and non-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 such inputs.

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

- Level 1 - unadjusted quoted prices 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 fair value hierarchy level for an item is determined on the basis of the lowest level input that is significant to the fair value measurement. IFRS 13 *Fair Value Measurement* requires the use of the price within the bid-offer spread that is most representative of fair value.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2023

Note 29. Fair values of assets and liabilities (continued)

Valuation systems will typically generate mid-market prices. The bid-offer adjustment reflects the extent to which bid-offer costs would be incurred if substantially all of the residual net exposure to market risks were closed, on a portfolio basis.

The following methods and significant assumptions have been applied in determining the fair values of the following items carried at amortised cost in the Balance sheet.

Asset or liability	Valuation techniques, inputs and other significant assumptions
Cash and bank balances	The fair value of cash and bank balances approximates their carrying amounts as these are highly liquid and short-term in nature.
Loan assets and Deposits	The fair value of variable rate loan assets and deposits approximates their carrying amounts, subject to any adjustment for changes in the credit spreads. The fair value of demand deposits with no fixed maturity approximates their carrying amount as they are short-term in nature or are payable on demand.
Brokerage trade debtors and creditors Other financial assets financial and liabilities	The fair value of brokerage trade debtors, brokerage trade creditors, other assets and liabilities approximate their carrying amounts.
Reverse repurchase agreements	Reverse repurchase agreements, being collateralised financing arrangements, are measured at fair value with reference to the securities which are held or provided as the collateral for the financing agreement.
Financial investments	Financial investments classified as FVOCI are measured at fair value by reference to quoted prices in active markets where available (for example, listed securities). If quoted prices in active markets are not available, the fair values are estimated on the basis of other recognised valuation techniques that maximise the use of quoted prices and observable market inputs.
Other assets and liabilities	Fair values of other assets and liabilities are based upon data or valuation techniques appropriate to the nature and type of the underlying instruments.

For financial assets carried at fair value, in order to measure counterparty credit risk, an adjustment is incorporated into the valuation. Where exposures are managed on a portfolio basis, the adjustment is calculated on a counterparty basis for those exposures. For financial liabilities carried at fair value, in order to measure the Consolidated Entity's own credit risk, an adjustment is incorporated into the valuations.

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. The output of a valuation technique is always an estimate of a fair value that cannot be measured with complete certainty. All models are reviewed before they are used. Models are calibrated periodically to test the outputs and reflect the prices from observable current market transactions in same instrument or other available observable market data.

To the extent possible, models use only observable market data (for example 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.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2023

Note 29. Fair values of assets and liabilities (continued)

The fair value of all financial assets and liabilities approximates their carrying value at balance sheet date and are predominantly classified as level 2 in the fair value hierarchy except for cash at bank of £10,551,000 (2022: £11,317,000) and financial investments of £4,970,000 (2022: £4,999,000) which is classified as level 1.

The fair values calculated for financial instruments which are carried on the balance sheet at amortised cost are for disclosure purposes only. The methods and assumptions applied to derive these fair values, as described earlier, can require significant judgement by management and therefore may not necessarily be compared to other financial institutions.

The following table summarises fair value of assets measured at FVOCI, including the level within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
As at 31 March 2023	£'000	£'000	£'000	£'000
Assets				
Reverse repurchase agreements	-	5,005	-	5,005
Financial investments	4,970	-	-	4,970
Total assets	4,970	5,005	-	9,975

	Level 1	Level 2	Level 3	Total
As at 31 March 2022	£'000	£'000	£'000	£'000
Assets				
Reverse repurchase agreements	-	35,011	-	35,011
Financial investments	4,999	-	-	4,999
Total assets	4,999	35,011	-	40,010

Significant transfers between levels of the fair value hierarchy

During the financial year, the Company did not have significant transfers between Level 1, Level 2 or Level 3.

Note 30. Discontinued operations

Post Transfer of the Company's EU-related mandates and branch activities to MCF – In the year ending 31 March 2021, as a result of the implementation of Brexit, MCEL is no longer able to passport into Europe via its European branches and therefore, from 1 January 2021, ceased to undertake regulated activity in the EU unless cross border licenses, exemptions or temporary permissions regimes are currently available. The branch in Ireland will continue to operate as an employment entity for non-regulated technical staff in MacCap. The representative office in Switzerland, also an employment office, will continue to support the Swiss business but is not authorised to conduct regulated business activities in Switzerland by the Swiss Financial Market Supervisory Authority ("FINMA"). Any deregistered branch operations in Germany, Netherlands and France were reflected as discontinued operations within the current and previous financial year's financial statements. The transfer of the Spanish representative office to MCF was effective on 1 April 2021 and therefore, the associated assets and liabilities were disclosed as HFS assets and liabilities on the balance sheet in the previous financial year. Refer to Note 11 *Held for sale assets* and Note 15 *Held for sale liabilities*. The previous financial year's gain of £696,000 recognised from the transfer of the Spanish Representative Office were classified in other operating income in the profit and loss account. No gain was recognised in the current financial year. Refer to Note 4 *Loss before taxation*. In the current financial year, the operations of the Spanish representative office have been reflected as discontinued operations.

In the previous financial year, certain assets and liabilities, comprising of right-of-use assets and lease liabilities associated with Macquarie Capital (Europe) Limited, Niederlassung Deutschland and Macquarie Capital (Europe) Limited, Amsterdam Branch were not fully transferred as of 31 March 2022 and were disclosed as HFS assets and liabilities on the balance sheet. As of June 2022, the lease assets associated with Macquarie Capital (Europe) Limited, Niederlassung Deutschland were transferred to Macquarie Corporate Finance Limited Niederlassung Deutschland and the lease assets associated with Macquarie Capital (Europe) Limited, Amsterdam Branch were transferred to MCF Benelux Branch. Refer to Note 11 *Held for sale assets* and Note 15 *Held for sale liabilities* for details.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2023

Note 30. Discontinued operations (continued)

Each of the branches will be deregistered with the exception of Ireland and the representative office in Switzerland. The Netherlands branch was deregistered as at 31 March 2023. The deregistration of the representative office in Spain has been approved by the Board as at 31 March 2023 and will be finalised in the financial year ending 31 March 2024. The French and German branches are planned to be deregistered in the future.

Note 31. 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 3(iv) *Financial instruments*. The following tables provide information on the impact of offsetting that has occurred on the balance sheet, as well as amounts subject to enforceable netting arrangements that do not meet all the criteria for offsetting and therefore are presented gross 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 these contracts as one arrangement. The Company uses a variety of credit risk mitigation strategies in addition to netting and collateral arrangements, therefore amounts presented in this note are not intended to represent the credit risk exposure of the entity, refer to Note 27.1 *Credit risk* for information on credit risk management.

	EFFECT OF OFFSETTING ON BALANCE SHEET			RELATED AMOUNTS SUBJECT TO ENFORCEABLE NETTING ARRANGEMENTS IN THE EVENT OF DEFAULT ¹	
	Gross amounts ^{2,3} £'000	Amounts offset on balance sheet £'000	Net amount reported on balance sheet £'000	Cash and other collateral £'000	Net exposure £'000
As at 31 March 2023					
Brokerage trade debtors	329,291	-	329,291	-	329,291
Amounts owed by other Macquarie Group undertakings	331,077	(7,879)	323,198	-	323,198
Reverse repurchase agreements	5,005	-	5,005	(5,005)	-
Prepayments and accrued income ⁴	35	-	35	-	35
Fees and other receivables ⁴	9,826	-	9,826	-	9,826
Other debtors ⁴	3,426	-	3,426	-	3,426
Total assets	678,660	(7,879)	670,781	(5,005)	665,776
Amounts owed to other Macquarie Group falling due within one year	(279,270)	7,876	(271,394)	-	(271,394)
Brokerage trade creditors	(242,585)	-	(242,585)	-	(242,585)
Other creditors ⁵	(1,731)	-	(1,731)	-	(1,731)
Total liabilities	(523,586)	7,876	(515,710)	-	(515,710)

¹Related amounts not offset have been limited to the net amount presented in the balance sheet so as not to include the effect of over-collateralisation.

²Gross amounts for assets includes £290,000 of Amounts owed by other Macquarie Group undertakings balances not subject to enforceable netting arrangements. Gross amounts for liabilities £251,000 of Amounts owed to other Macquarie Group undertakings balances not subject to enforceable netting arrangements.

³Amounts not subject to enforceable offsetting arrangement are where either there are no master netting agreements or enforceability of agreement is uncertain under bankruptcy laws in some countries or industries.

⁴Excludes other non-financial assets of £77,000 of Prepayments and accrued income, £1,164,000 of Fees and other receivables, and £72,000 of Other debtors which are included in Note 10 *Debtors*.

⁵Excludes other non-financial liabilities of £789,000 which are included in Note 14 *Creditors: amounts falling due within year*.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2023

Note 31. Offsetting financial assets and financial liabilities (continued)

	EFFECT OF OFFSETTING ON BALANCE SHEET			RELATED AMOUNTS SUBJECT TO ENFORCEABLE NETTING ARRANGEMENTS IN THE EVENT OF DEFAULT ¹	
	Gross amounts ^{2,3} £'000	Amounts offset on balance sheet £'000	Net amount reported on balance sheet £'000	Cash and other collateral £'000	Net exposure £'000
As at 31 March 2022					
Brokerage trade debtors	586,701	-	586,701	-	586,701
Amounts owed by other Macquarie Group undertakings ⁶	613,445	(48,212)	565,233	-	565,233
Reverse repurchase agreements	35,011	-	35,011	(35,011)	-
Prepayments and accrued income ⁴	30	-	30	-	30
Fees and other receivables ⁴	14,499	-	14,499	-	14,499
Other debtors ⁴	7,258	-	7,258	-	7,258
Total assets	1,256,944	(48,212)	1,208,732	(35,011)	1,173,721
Amounts owed to other Macquarie Group falling due within one year ⁶	(464,780)	48,213	(416,567)	-	(416,567)
Amounts owed to other Macquarie Group falling due after more than one year	(17,690)	-	(17,690)	-	(17,690)
Brokerage trade creditors	(615,110)	-	(615,110)	-	(615,110)
Other creditors ⁵	(3,636)	-	(3,636)	-	(3,636)
Total liabilities	(1,101,216)	48,213	(1,053,003)	-	(1,053,003)

¹Related amounts not offset have been limited to the net amount presented in the balance sheet so as not to include the effect of over-collateralisation.

²Gross amounts for assets includes £563,000 of Amounts owed by other Macquarie Group undertakings balances not subject to enforceable netting arrangements. Gross amounts for liabilities £430,000 of Amounts owed to other Macquarie Group undertakings balances not subject to enforceable netting arrangements.

³Amounts not subject to enforceable offsetting arrangement are where either there are no master netting agreements or enforceability of agreement is uncertain under bankruptcy laws in some countries or industries.

⁴Excludes other non-financial assets of £89,000 of Prepayments and accrued income, £582,000 of Fees and other receivables, and £78,000 of Other debtors which are included in Note 10 *Debtors*.

⁵Excludes other non-financial liabilities of £1,047,000 which are included in Note 14 *Creditors: amounts falling due within year*.

⁶Amounts owed by other Macquarie Group undertakings of £79,000 and Amounts owed to other Macquarie Group falling due within one year of £(78,000) have been reclassified from amounts offset on balance sheet to gross amounts as they have been determined to be non-nettable under the standard terms and rights of set-off per the MLA.

Amounts owed from/to other Macquarie Group undertakings netting is governed by the standard terms and rights of set-off as per the MLA. Refer to Note 23 *Related party information* for further details.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2023

Note 32. 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 3(iv), 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.

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 £5,013,000 (2022: £44,881,000). The collateral posted of £5,005,000 (2022: £35,011,000) is recognised in 'reverse repurchase agreements' within *Debtors* (Note 10).

Note 33. Ultimate parent undertaking

As at 31 March 2023, 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 MGL. The largest group to consolidate these financial statements is MGL, a company incorporated in Australia. The smallest group to consolidate these financial statements is Macquarie 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 34. Events after the reporting period

There were no material events subsequent to 31 March 2023 and up until the authorisation of the financial statements for issue, that have not been reflected in the financial statements.

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 2023 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, including 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 2023; 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2023 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 in respect of the financial statements, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to relevant Financial Conduct Authority rules and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the potential for manual journal entries being recorded in order to manipulate financial performance, and applying management bias in the determination of accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Inquiries of management and those charged with governance, including review of meeting minutes in so far as they relate to the financial statements, and consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Review of correspondence with regulators, including the Financial Conduct Authority ('FCA');
- Incorporating an element of unpredictability into the nature, timing and/or extent of our testing;
- Challenging assumptions and judgements made by management in their significant accounting estimates; and
- Applying risk-based criteria to all journal entries posted in the audit period, including consideration of backdated entries, post-close entries and those journals posted by a defined group of unexpected users.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 obtained 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.

A handwritten signature in black ink, appearing to be 'I. Godsmark', with a long horizontal stroke extending to the right.

Ian Godsmark (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
17 July 2023

Macquarie Capital (Europe) Limited

Country by country reporting information

The following table summarises the country by country reporting information:

For the financial year ended 31 March 2023		Loss before	Corporation	Average FTE	
Region	Activity	Turnover	taxation	tax paid	employees
		£'000	£'000	£'000	number
Germany	Administrative and support services	-	(302)	815	-
Ireland	Administrative and support services	384	(1,276)	-	2
Netherlands	Administrative and support services	-	(45)	6	-
France	Administrative and support services	-	44	-	-
Switzerland	Administrative and support services	511	94	(300)	2
Spain	Administrative and support services	-	(21)	-	-
UK	Corporate advisory services and cash equities services	80,705	(3,322)	-	-
Total		81,600	(4,828)	521	4

Note 1. Basis of preparation

The Directors are responsible for preparation of the country by country reporting information in accordance with the Capital Requirements (Country by Country Reporting) Regulations 2013.

The table above presents Macquarie Capital (Europe) Limited's (the "Company's") turnover, loss before taxation, 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 directors 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 2023 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 2023 in the Country-by-Country Report.

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from the date on which the country-by-country information is authorised for issue.

In auditing the country-by-country information, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the country-by-country information is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 to the country-by-country information and accounting policies in note 3 to 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 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 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company/industry, we identified that the principal risks of non-compliance with laws and regulations related to relevant Financial Conduct Authority rules and guidance, and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the country-by-country information. We also considered those laws and regulations that have a direct impact on the country-by-country information such as applicable tax legislation and the Capital Requirements (Country-by-Country Reporting) Regulations 2013. We evaluated management's incentives and opportunities for fraudulent manipulation of the country-by-country information (including the risk of override of controls), and determined that the principal risks were related to the potential for manual journal entries being recorded in order to manipulate financial performance, and applying management bias in the determination of accounting estimates and judgements. Audit procedures performed included:

- Discussions with management and those charged with governance, including review of meeting minutes in so far as they relate to the financial statements, and consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Review of correspondence with the regulators, including the Financial Conduct Authority ('FCA');
- Incorporating an element of unpredictability into the nature, timing and/or extent of our testing; and
- Applying risk-based criteria to all journal entries posted in the audit period, including consideration of backdated entries, post-close entries and those journals posted by a defined group of unexpected users.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the country-by-country information. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

17 July 2023