

Macquarie Capital (Europe) Limited

COMPANY NUMBER 03704031

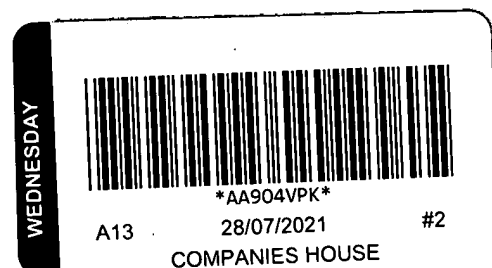
Strategic Report, Directors' Report and Financial Statements
for the financial year ended 31 March 2021



MACQUARIE

The Company's registered office is:

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United Kingdom



Macquarie Capital (Europe) Limited

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Macquarie Capital (Europe) Limited

Strategic Report

for the financial year ended 31 March 2021

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

Principal activities

The principal activities of the Company during the financial year ended 31 March 2021 ("current financial year") were:

Cash Equities

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

The Company has entered into a cooperation agreement with Kepler Cheuvreux in order to focus its strength on the Asia Pacific region. This strategic partnership allows the Company to utilise Kepler Cheuvreux's market leading European research in the Asia Pacific region, and also the ability to leverage their significant distribution capabilities within Europe to sell its market leading Asia Pacific and Global Program Trading product information. The Company does this while still maintaining its full EMEA execution capabilities.

Corporate Advisory

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

All of the principal activities of the Company are undertaken in the United Kingdom and through its European branches. As a result of the withdrawal of the United Kingdom ("UK") from the European Union ("EU") (known as "Brexit"), the Company has transferred the majority of its Advisory business with EU clients to Macquarie Capital France Société Anonyme ("MCF"). The Company has wound-down or transitioned to Kepler Cheuvreux the provision of Cash Equities services to EU clients, or in limited circumstances, is continuing to provide these services through reliance on cross-border licences or exemptions. Please refer to the Principal risks and uncertainties below and State of affairs in the Directors Report for details.

Review of operations

The loss for the financial year ended 31 March 2021 was £7,481,000, a decrease of 14 percent from the loss of £8,714,000 in the previous year.

The net operating loss for the year ended 31 March 2021 was £4,177,000, a decrease of 58 percent from the operating loss of £9,829,000 in the previous year.

Total administrative expenses for the year ended 31 March 2021 were £137,740,000, a decrease of 38 percent from the expense of £222,954,000 in the previous year.

As at 31 March 2021, the Company had net assets, including pension liabilities, of £177,878,000 (2020: £186,408,000).

The German branch contributed a profit of £10,245,000 (2020: profit of £5,880,000), the Irish branch contributed a loss of £472,000 (2020: loss of £752,000), the Netherlands branch contributed a loss of £2,814,000 (2020: profit of £3,434,000) and the French branch contributed a loss of £4,523,000 (2020: loss of £4,783,000) to the overall loss before taxation of £5,444,000 (2020: £10,238,000).

The Company transferred the operations of the branches in Germany, Netherlands and France as well as the representative office in Spain to Macquarie Capital France Société Anonyme. Please refer to Note 31 *Discontinued operations* for further details.

Macquarie Capital (Europe) Limited

Strategic Report (continued) for the financial year ended 31 March 2021

Review of operations (continued)

During the current and prior years, the Company has continued to meet its capital requirements under the licence, and no breaches have occurred.

There has been no change to the approach of managing capital during the year ended 31 March 2021 by the Company in comparison to the prior financial year. At all times during the year ended 31 March 2021 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 market risk, credit risk and liquidity risk. The material risks of the Company are monitored by the relevant division of the Risk Management Group ("RMG") of the Macquarie Group.

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

- the duration of COVID-19, speed of the global economic recovery and extent of government support for economies
- market conditions including significant volatility events and the impact of geopolitical events
- 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.

On 31 December 2020, the transition period relating to Brexit came to an end. Whilst certain elements of the future relationship between the UK and EU have been agreed under a Trade and Cooperation Agreement, a number of matters, including the cross-border provision of financial services from the UK into the EU (and vice versa), remain uncertain. In order to mitigate the impacts of Brexit, the Macquarie Group has established MCF, which is an investment firm headquartered in France with branches in Germany, the Netherlands and Spain. The Company has transferred the majority of its Advisory business with EU clients to MCF. The Company has wound-down or transitioned to Kepler Cheuvreux the provision of Cash Equities services to EU clients, or in limited circumstances, is continuing to provide these services through reliance on cross-border licences or exemptions. The Company intends to wind down its branches in France and the Netherlands, as well as its representative office in Spain. The Company's branch in Ireland will remain, undertaking unregulated activities. Timing of the dissolution of the German branch remains under discussion.

The continued impact and uncertainty surrounding Novel Coronavirus (COVID-19) pandemic was monitored during the year for the Company by RMG. The Company has continued to operate effectively throughout the pandemic. The financial impact of COVID-19 has been incorporated into the Company's results of operations and measurement of its assets and liabilities as at the reporting date.

Macquarie Capital (Europe) Limited

Strategic Report (continued) for the financial year ended 31 March 2021

Financial risk management

Risk is an integral part of the Macquarie Group's business. The material risks faced by the Company are determined annually by an internal review process and are credit risk, liquidity risk, market risk, interest rate risk, foreign exchange risk, operational risk, group risk, conduct risk, regulatory & compliance risk, strategic/business risk, and environmental & social risk. It is the responsibility of the Risk Management Group ("RMG") to ensure appropriate assessment and management of these risks with each specific risk being managed by the individual businesses with RMG assistance.

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

Credit risk

Credit risk is the risk that a counterparty will fail to complete its contractual obligations when they fall due (default risk) or changes in the creditworthiness of the obligor (migration risk). Credit exposures, approvals and limits are controlled within the Macquarie Group's credit risk framework, as established by RMG.

Liquidity risk

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

Market risk

The Company is exposed to market risk 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 Cash Equities business.

Interest rate risk

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

Foreign exchange risk

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

Macquarie Capital (Europe) Limited

Strategic Report (continued) for the financial year ended 31 March 2021 Financial risk management (continued)

Operational risk

The Company's Operational Risk Management Framework provides guidance as to how the key components of the Macquarie Group Framework are applied at a legal entity level for the Company, setting out a framework for identifying, assessing and managing operational risks within the entity. It also provides an overview of the responsibilities of operational risk by the business, support areas, Business Operational Risk Managers and RMG Operational Risk.

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. Intra-group outsourcing is governed in accordance with internal Macquarie 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 Macquarie. 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. Business and strategic risk is managed and controlled through the annual strategy and business planning process. The Company Board has regular oversight of business risk in the Company.

Environmental & Social Risk

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 investment, 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 environmental and social risk training.

Macquarie Capital (Europe) Limited

Strategic Report (continued) for the financial year ended 31 March 2021

Section 172 (1) Statement

During the reporting period the directors of the Company have acted in a way which they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing so, they have regard to the matters set out in s172.(1)(a-f) of the Companies Act 2006) in their decision making.

Consideration of these factors and other relevant matters, including in particular the regulatory environment in which the company operates as a UK investment firm categorized as "Enhanced" under the Financial Conduct Authority's ("FCA") Senior Managers and Certification Regime, is embedded into all Board decision-making, strategy development and risk assessment throughout the year.

From the perspective of the Directors, the matters that the Board is responsible for considering under s172 of the Companies Act 2006 have been considered appropriately. 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 7 to 13.

Other matters

Due to the nature of the business and the information provided elsewhere in this report, the Directors are of the opinion that the production of financial and non-financial key performance indicators (including with regard to environmental and employee matters) in the Strategic report is not necessary for an understanding of the development, performance or position of the business.

On behalf of the Board,



Phillip Nash

Director

22 July 2021

Directors' Report
for the financial year ended 31 March 2021

In accordance with a resolution of the Directors of the Company, the Directors submit herewith the audited financial statements of the Company and annual 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 (appointed 9 September 2020) (Independent Non-Executive Director)
C. Higgins (appointed 1 September 2020) (Independent Non-Executive Director)
P. Plewman
P. Nash

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 2021 was £7,481,000 (2020: loss of £8,714,000).

Dividends paid or provided for

No dividends were paid or provided for during the current financial year (2020: £nil). No final dividend has been proposed.

State of affairs

The Company has branches in Germany, Ireland, the Netherlands and France. It also has representative offices in Switzerland and Spain.

On 10 December 2020, as a result of Brexit, the Board of the Company provided approval to transfer the branches in Germany, Netherlands and France to MCF. As part of the transfer, the Company's German branch and French branch novated their existing European Economic Area ("EEA") Mandates to the MCF German and French branches respectively. The Company transferred its EEA business conducted in the UK to MCF. The Company continues to provide advisory and Debt Capital Markets ("DCM") services in the UK.

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

Events after the reporting period

On 10 December 2020, the Board of the Company provided approval for the transfer of the Spanish representative office assets, with the transfer being effective on 1 April 2021.

As a result of the transfer of certain assets and underlying business activities to MCF, the Company's French, Spanish (representative office) and the Netherlands branches will dissolve, and their employees will transfer to the respective branches of MCF. The Irish branch will remain open to conduct unregulated activities. Timing of the dissolution of the German branch remains under discussion.

At the date of this report, the Directors are not aware of any other matter or circumstance which has arisen that has significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in the financial years subsequent to 31 March 2021 not otherwise disclosed in this report.

Directors' Report (continued)
for the financial year ended 31 March 2021

Likely developments, business strategies and prospects

Coronavirus (COVID-19)

The Novel Coronavirus (COVID-19) has had significant impacts on global economies and financial markets, led to several changes in the economy and resulted in several support actions by financial markets, governments, and regulators. The impact of COVID-19 continues to evolve and, where applicable, has been incorporated into the determination of the Company's results of operations and measurements of its assets and liabilities at the reporting date.

IBOR reform: Transition from inter-bank offered rates (IBOR) to alternative reference rates ("ARRs")

IBOR are interest rate benchmarks that are used in a wide variety of financial instruments such as derivatives and lending arrangements. Examples of IBOR include 'LIBOR' (the London Inter-bank Offered Rate) and 'EURIBOR' (the Euro Inter-bank Offered Rate). Historically, each IBOR has been calculated and published daily based on submissions by a panel of banks. Over time, changes in interbank funding markets have meant that IBOR panel bank submissions have become based less on observable transactions and more on expert judgement. Financial markets' authorities reviewed what these changes meant for financial stability, culminating in recommendations to reform major interest rate benchmarks. As a result of these recommendations, many IBOR around the world are undergoing reforms.

Due to a lack of observable transactions to support robust LIBOR reference rates, LIBOR publication for the majority of currencies is expected to cease in next financial year by 31 December 2021. To facilitate the transition of contracts from LIBOR to ARRs on an economically equivalent basis, adjustments for term and credit differences will need to be applied.

During 2018, Macquarie Capital (Europe) Limited's ultimate parent Macquarie Group Limited ("MGL") initiated a project, which is sponsored by its Chief Financial Officer (CFO), to manage the impacts of IBOR reform, including overseeing the transition from LIBOR to ARRs. A group-wide steering committee was established with its key responsibility being the governance of the project. This committee includes senior executives from MGL's Operating Groups, Financial Management Group (FMG), Risk Management Group (RMG), Corporate Operations Group (COG) and Legal and Governance team. The project is wide in scope including identification of the impact of the reform on the separate legal entities within the Consolidated MGL Group (including the Company) and implementing necessary changes in those legal entities.

As at 31 March 2021, the Company did not have any material exposures to the impacted IBOR benchmarks and is not materially impacted by the transition to ARRs.

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

The financial risk management objectives and policies of the Company and the exposure of the Company to credit risk, liquidity risk, market risk, interest rate risk, foreign exchange risk, operational risk, group risk, conduct risk, regulatory & compliance risk, strategic/business risk, and environmental & social risk and developments over Brexit are contained within the Strategic Report.

Indemnification and insurance of Directors

As permitted by the Company's Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and 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.

Directors' Report (continued)
for the financial year ended 31 March 2021

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Strategic Report and Annual Report and the 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 the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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.

Section 172

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.

Directors' Report (continued)
for the financial year ended 31 March 2021

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

The Company's ultimate parent is Macquarie Group Limited ("MGL"). The Company operates to the ethical and business standards set by MGL and the Macquarie Group. Any decision taken is aligned to the strategy of the Company and the wider Macquarie Group and made in accordance with Macquarie's Code of Conduct (the "Code"). The Code is based on the three principles that guide the way Macquarie Group does business – Opportunity, Accountability and Integrity. Before a proposal is brought to the Board for approval, it will have gone through a series of internal approvals, in accordance with the Macquarie Group's risk management framework, which is embedded across the Macquarie Group's operations. The Macquarie Group's approach to risk management is based on the following stable and robust core risk management principles i) ownership of risk at the business level; ii) understanding worst case outcomes and iii) independent sign off by the Risk Management Group.

To facilitate good decision making, Directors meet quarterly (and additionally as required) with documentation circulated in advance, which includes 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.

Key examples of where the Board has considered the likely consequences of any decision in the long-term for the year ended 31 March 2021 included but not limited to:

- The Brexit plans, including the transfer of business to MCF
- ICAAP and ILAAP: the review of the conclusions of the ICAAP, with the Directors confirming their satisfaction with the overall adequacy of capital and resources and liquidity framework
- The recovery Plan
- MCEL's Strategy
- The quarterly review of business reports, finance, risk, financial crime and compliance reports
- Risk management, credit and liquidity enhancements

b) Interests of the Company's employees

The employees of the Company and/or its branches have employment contracts with the Company, its branches, or entities within the wider Macquarie Group. While branches of the Company employ staff directly, the Company itself does not have any direct employees but utilizes the services of the wider Macquarie Group workforce via a range of internal shared services agreements. 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 Financial Conduct Authority's and Prudential Regulation Authority's Remuneration Codes ("the "CRD4 Remuneration Code").

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 Macquarie Group's workforce policies, including Macquarie'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. Macquarie Group's focus continues to be on developing the internal and external pipeline of women and people from under represented groups at all levels and enhancing our recruitment and talent practices to facilitate this.

Directors' Report (continued)
for the financial year ended 31 March 2021

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. Macquarie Group's Third Party Risk team supports the Company with subject matter expertise on understanding the inherent risks associated with supplier arrangements and applying appropriate governance and control.

Customers: The Company has both internal (Macquarie) and external customers. Along with the publicly available regulatory disclosures on the Macquarie website, which do not form part of this report, Macquarie looks to the Company's workforce (including the Board) to keep customers informed about the depth, breadth and scale of our capabilities in line with local rules and regulations on client suitability and financial promotions while offering our products in a highly regulated financial services environment in EMEA. 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. As a UK investment firm, the Company has investor protection and transparency obligations and requirements to meet under the EU legislative framework of the revised Markets in Financial Instruments Directive ("MiFID II") and the Markets in Financial Instruments Regulation ("MiFIR") prior to the end of the transition period on 30 December 2020 and subsequently the UK MiFID II Framework, which came into effect at the end of the transition period. Through implementing an extensive policy and procedure framework the Company seeks to meet all applicable requirements of MiFID II and MiFIR with regard to our customers including those relating to product governance, investment advice, Board responsibility, inducements, information and reporting to clients, cross-selling, remuneration of the workforce and best execution. In the context of COVID-19, the Board recognises that acute crises bring into focus the imperative for organisations to support customers and contribute to the communities in which they operate. During this period, the Company has worked with its clients as they quickly adapt to a changing environment so that they can continue to operate. During the period, the Company worked with its clients and employees to support a transfer of business to MCF and to service Cash Equities in clients in the EU27/EEA, in order to minimise the impact of Brexit to our clients. The Board (and the Company's Executive) were updated on proposed plans.

Directors' Report (continued)
for the financial year ended 31 March 2021

Regulators: As a UK investment firm, the Company is authorised and regulated by the FCA. The Board is committed to conducting business in accordance with applicable laws and regulations and in a manner that is consistent with the Code and the principles set out in "What We Stand For". The Board also recognises it is imperative that the Company fosters and maintains strong, positive relationships with our regulators and that all communications with regulators are timely, accurate and complete. As a result the Board has a strong focus on its regulatory status and compliance with its related obligations in line with Macquarie Group's Regulator Engagement Framework. Everybody at the Macquarie Group is accountable for the way they conduct themselves, and the principles of regulatory engagement set within Macquarie's Regulator Interaction and Relationship Management Policy define the expectations for the workforce, including the Board, in engaging with our regulators. This policy is underpinned by Regulator Interaction Protocols for the Company to follow to ensure our interactions with regulators are consistent and co-ordinated, and that the Company has accurate records of all such interactions. Channels of engagement are open between the Company and its regulators with an emphasis by the Board on recognising the importance of the regulatory principles which apply to it, in particular Principle 11 of the FCA Handbook, which require the Company to deal with its regulators in an open and cooperative way, disclosing appropriately anything relating to the Company of which each regulator would reasonably expect notice.

The Board is provided with regular updates on regulatory interactions. Material matters relating to business relationships with suppliers, customers and other stakeholders are reported to the Board by management, as required.

d) Community and the environment:

The Board recognises the importance of sound Environmental, Social and Governance ("ESG") practices as part of its responsibility to our clients, shareholders, communities, people and the environment in which the Macquarie Group 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. Assessing and managing Macquarie Group wide ESG risks is a key business priority and an important component of Macquarie's broader risk management framework, to which the Company is subject.

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

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

The Board acknowledges the work of the Macquarie Group Foundation (the "Foundation"), which is the philanthropic arm of Macquarie. The Foundation encourages Macquarie's workforce 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.

In May 2021, Macquarie Group announced a net zero commitment as part of its wider efforts to tackle climate change and help drive action at a global level. This statement signals the intent to steer our portfolio over time and in line with a managed transition to global net zero by 2050. Macquarie is already regarded as a global leader in advancing practical climate solutions and this announcement is an opportunity to positively build on that, demonstrating close alignment with our purpose – empowering people to innovate and invest for a better future.

Directors' Report (continued)
for the financial year ended 31 March 2021

e) Reputation for high standards:

The reputations 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.

Streamlined energy and carbon reporting ("SECR") requirement

The Company consumed less than 40MWh for the financial year ended 31 March 2021 and for this reason the Company is not required to disclose energy and carbon information in this report.

Disclosure of information to auditors

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

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

Independent auditors

Pursuant to section 487(2) of the Companies Act 2006, the auditors of the Company are deemed re-appointed for each financial year unless the Directors or the members of the Company resolve to terminate their appointment. 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,



Phillip Nash
Director
22 July 2021

Macquarie Capital (Europe) Limited

Profit and loss account for the financial year ended 31 March 2021

	Note	Continuing Operations		Discontinued Operations ¹		Total	
		2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Turnover	4	107,757	170,945	10,388	40,107	118,145	211,052
Administrative expenses	4	(115,991)	(187,196)	(21,749)	(35,758)	(137,740)	(222,954)
Other operating income	4	3,739	1,516	11,679	557	15,418	2,073
Operating (loss)/profit		(4,495)	(14,735)	318	4,906	(4,177)	(9,829)
Interest receivable and similar income	4	659	2,482	171	11	830	2,493
Interest payable and similar expenses	4	(1,639)	(2,517)	(458)	(385)	(2,097)	(2,902)
(Loss)/profit before taxation		(5,475)	(14,770)	31	4,532	(5,444)	(10,238)
Tax benefit/(expense) on (loss)/profit	6	339	3,654	(2,376)	(2,130)	(2,037)	1,524
(Loss)/profit for the financial year		(5,136)	(11,116)	(2,345)	2,402	(7,481)	(8,714)

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 representative office in Spain to Macquarie Capital France Société Anonyme. The gain recognised from the transfer was £11,600,000, which is included in the other operating income in the above profit and loss account. Please refer to Note 31 *Discontinued operations* for further details.

Macquarie Capital (Europe) Limited

Statement of comprehensive income for the financial year ended 31 March 2021

		2021	2020
	Note	£'000	£'000
Loss for the financial year		(7,481)	(8,714)
Other comprehensive (loss)/income:			
Movements in items that may be subsequently reclassified to the profit and loss account:			
Fair value through other comprehensive income (FVOCI) reserve, net of tax ¹ :			
Revaluation movement	22	-	(7)
Foreign exchange movements on translation	22	(1,003)	720
Movements in items that will not be subsequently reclassified to the profit and loss account:			
Actuarial (loss)/gain on pension plans	19	(152)	215
Deferred tax associated with actuarial (loss)/gain	19	79	136
Total other comprehensive (loss)/income		(1,076)	1,064
Total comprehensive loss		(8,557)	(7,650)
Total comprehensive loss for the financial year that are attributable to ordinary equity holders of the Company		(8,557)	(7,650)

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 2021

		2021	2020
	Note	£'000	£'000
Fixed assets			
Tangible assets and right-of-use assets	7	15	2,830
		15	2,830
Current assets			
Financial investments	8	-	2,751
Debtors	9	1,244,302	1,191,293
Cash at bank and in hand	10	2,140	1,285
Trading assets	11	-	638
Held for sale assets	12	2,264	-
Deferred tax assets	18	1,124	1,343
Current liabilities			
Creditors: amounts falling due within one year	15	(1,015,327)	(946,486)
Held for sale liabilities	14	(2,659)	-
Net current assets		231,844	250,824
Total assets less current liabilities		231,859	253,654
Creditors: amounts falling due after more than one year	16	(50,732)	(62,172)
Provisions for liabilities	17	(1,801)	(3,688)
Net assets excluding pension liability		179,326	187,794
Pension liability	19	(1,448)	(1,386)
Net assets including pension liability		177,878	186,408
Shareholders' funds			
Called up share capital	20	331,601	331,601
Share premium reserve	20	4,999	4,999
Equity contribution from ultimate parent entity	21	2,117	2,090
Reserves	22	(507)	569
Profit and loss account	22	(160,332)	(152,851)
Total shareholders' funds		177,878	186,408

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 14 to 66 were authorised for issue by the Board of Directors on 22 July 2021 and were signed on its behalf by:



Phillip Nash
Director

Macquarie Capital (Europe) Limited

Statement of changes in equity for the financial year ended 31 March 2021

Note	Called up share capital £'000	Share premium reserve £'000	Equity contribution from ultimate parent entity £'000	Reserves £'000	Profit and loss account £'000	Total shareholders' funds £'000
Balance at 1 April 2019	331,601	4,999	2,127	(495)	(144,137)	194,095
Loss for the financial year	-	-	-	-	(8,714)	(8,714)
Other comprehensive income	-	-	-	1,064	-	1,064
Total comprehensive income/(loss)	-	-	-	1,064	(8,714)	(7,650)
Other equity movements						
Deferred tax on share based payments	21	-	(37)	-	-	(37)
Balance at 31 March 2020	331,601	4,999	2,090	569	(152,851)	186,408
Loss for the financial year	-	-	-	-	(7,481)	(7,481)
Other comprehensive loss	-	-	-	(1,076)	-	(1,076)
Total comprehensive loss	-	-	-	(1,076)	(7,481)	(8,557)
Other equity movements						
Deferred tax on share based payments	21	-	27	-	-	27
Balance at 31 March 2021	331,601	4,999	2,117	(507)	(160,332)	177,878

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 2021

Note 1. Company information

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

The principal activities of the Company during the financial year ended 31 March 2021 were to undertake activities related to Cash Equities and Corporate Advisory 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 with international accounting standards in conformity with the requirements 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

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

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 (including derivatives) 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),
- financial assets and liabilities that are otherwise measured on an amortised cost basis or on a cost basis but adjusted for changes in fair value attributable to the risk being hedged in qualifying fair value hedge relationships, 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 International Financial Reporting Standards ("IFRS").

Macquarie Capital (Europe) Limited

Notes to the financial statements for the financial year ended 31 March 2021

Note 2. Basis of preparation (continued)

iii) Disclosure exemptions (continued)

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- The requirements of paragraphs 45(b) and 46-52 of IFRS 2 'Share-based Payment' (details of the number and weighted average exercise price of share-based payment arrangements concerning equity instruments of another group entity and how the fair value of goods or services received was determined).
- The requirements of paragraphs 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - Paragraph 73(e) of IAS 16 'Property, Plant and Equipment'.
- The requirements of paragraphs of IAS 1, 'Presentation of financial statements':
 - 10 (d), (statement of cash flows),
 - 16 (statement of compliance with all IFRS),
 - 38A (requirement for minimum of two primary statements, including cash flow statements),
 - 38 B-D (additional comparative information), and
 - 111 (cash flow statement information), and
- The requirements of IAS 7 'Statement of Cash Flows'.
- The requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- The requirements of paragraph 17 of IAS 24 'Related Party Disclosures' (key management compensation).
- The requirements of IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group where both parties to the transaction are wholly owned within the group.
- The requirements of paragraphs 130(f)(ii), 130(f)(iii) of IAS 36 'Impairment of Assets'.
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.
- The requirements of paragraph 52 of IFRS 16 'Leases'.

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:

- estimates in the timing of derecognition of assets and liabilities following the disposal of an investment, including the measurement of the associated gain or loss; and
- judgement regarding the effect of disposal of the operations of the branches and representative office and whether or not this will result in assets held for sale or discontinued operations disclosure.

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.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2021

Note 2. Basis of preparation (continued)

v) Coronavirus (COVID-19) impact

The Company's processes to determine the impact of COVID-19 for these financial statements is consistent with the processes disclosed and applied in its 31 March 2020 financial statements. Those processes identified that expected credit losses (Note 13) and the assessment of the impairment of non-financial assets (Note 7) required continued judgement as a result of the impact of COVID-19.

As there is a higher than usual degree of uncertainty associated with these assumptions and estimates, actual outcomes may differ to those forecasted which may impact the accounting estimates included in these financial statements. Other than adjusting events that provide evidence of conditions that existed at the end of the reporting period, the impact of events that arise after the reporting period will be accounted for in future reporting periods. The impact of COVID-19 has been discussed further in each of the related notes.

Processes applied

As a consequence of COVID 19 and in preparing these financial statements, management:

- re evaluated whether there were any additional areas of judgement or estimation uncertainty beyond what has been disclosed above;
- updated its economic outlook – principally for the purposes of inputs into its ECL through the application of forward looking information, but also for input into the impairment analysis of financial and non financial asset classes and disclosures such as fair value disclosures of financial assets and liabilities;
- conducted several internal processes to ensure consistency in the application of the expected impact of COVID 19 across all asset classes;
- assessed the carrying values of its assets and liabilities and determined the impact thereon as a result of market inputs and variables impacted by COVID 19; and
- considered the impact of COVID 19 on the Company's financial statement disclosures.

Consideration of the statements of financial position and further disclosures

Key financial statement items and related disclosures that have been impacted by COVID 19 were as follows:

Held for sale assets and liabilities

Held for sale assets and liabilities includes certain disposal groups for which the conditions precedent relating to the disposal were met subsequent to 31 March 2021. For these and other items that are classified as held for sale, the appropriateness of the held for sale classification at the reporting date was reassessed and affirmed. Further, the impact of COVID 19 on the carrying value of the assets and liabilities that were classified as held for sale was assessed. Refer to Note 12 and Note 14.

Trading assets, trading liabilities and financial investments

The Company reviewed the appropriateness of the inputs to its valuations, which included the use of correlations, price volatilities, funding costs and bid offer, counterparty and own credit spreads. The impact of changes in valuation inputs has also been considered in terms of the classification of exposures in the fair value hierarchy, transfers within the fair value hierarchy and the Level 3 sensitivity analysis. The Company's financial investments include a portfolio of unlisted equity investments which, in accordance with the Company's accounting policies, are measured at FVTPL. This portfolio has been disposed of as at 31 March 2021. The determination of the investments' carrying value included a consideration of the impact of COVID 19. Refer to Note 8 and Note 11.

Tangible assets and right of use ("ROU") assets

Given the impact of COVID 19, the Company's tangible assets and ROU assets were subject to impairment testing which concluded that no material impairment was required. Refer to Note 7.

vi) New Accounting Standards and amendments to Accounting Standards 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 2020 did not result in a material impact to the Company's financial statements.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2021

Note 3. Significant accounting policies

i) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the Company's functional currency using the exchange rates prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the other operating income.

Translation differences related to changes in amortised cost are recognised in profit and loss account, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on financial instruments measured at fair value through profit or loss, are reported as part of the fair value gain or loss in the profit and loss account.

Translation differences on financial assets classified as FVOCI are included in the profit and loss account (see Note 3(iv) *Financial Instruments*). For the detailed policy on Financial instruments refer Note 3(iv) *Financial Instruments*.

Subsidiaries and other entities

The Company has branches in Germany, Ireland, the Netherlands, and France. It also has representative offices in Switzerland and Spain. 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 the 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 equity being the foreign currency translation reserve ("FCTR").

Foreign currency gains and losses on intragroup 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 the Company's FCTR.

ii) Revenue and expense recognition

Net interest income / expense

Interest income and interest expense (with the exception of borrowing costs that are capitalised on a qualifying asset, which is not measured at fair value) 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 or, when appropriate, a shorter period, to the net carrying amount of the financial asset or liability.

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).

Macquarie Capital (Europe) Limited

Notes to the financial statements for the financial year ended 31 March 2021

Note 3. Significant accounting policies (continued)

ii) Revenue and expense recognition (continued)

Net interest income / expense (continued)

The calculation of the EIR does not include ECL, except for financial assets which on initial recognition are classified as purchased or originated credit impaired (POCI). Interest income on these assets is determined using a credit adjusted EIR by discounting the estimated future cash receipts, including credit losses expected at initial recognition, through the expected life of the financial instrument to the net carrying amount of the financial asset.

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 not classified as POCI but 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 equity and 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 or equity 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 and fees related to this service are recognised on trade date. The brokerage and commission income are presented net of any rebates.

Equities research income - The Company earned revenue through its role as an agent in providing external clients access to global cash equity research services performed by other Macquarie Group entities. There is significant accounting judgement involved in determining whether the Company acts as an agent or principal under IFRS 15 when providing its external clients access to research services provided by other Macquarie Group entities. 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.

Other operating income and charges

Other operating income/(charges) comprises of foreign exchange gains/losses, investment income, and other income.

Investment income includes gains and losses arising from subsequent changes in the fair values of equity investment securities that are classified as FVTPL. Impairment losses/reversal of impairment losses on these financial assets are not reported separately from other changes in fair value.

Gains or losses on the change of control, and reclassifications to held for sale also forms part of investment income.

Expenses

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

Fee expense

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 on an accrual basis in accordance with the standard recovery methodology applied by the servicing entity.

Macquarie Capital (Europe) Limited

Notes to the financial statements for the financial year ended 31 March 2021

Note 3. Significant accounting policies (continued)

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 bases of assets and liabilities and their carrying amounts in the financial statements, and unused tax losses.

Deferred tax assets are recognised when temporary differences arise between the tax bases of assets and liabilities and their respective carrying amounts which give rise to a future tax benefit, or when a benefit arises due to unused tax losses. In both cases, deferred tax assets are recognised only to the extent that it is probable that future taxable amounts will be available 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.

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 within the tax consolidated group or groups of entities in overseas jurisdictions, the nature of the tax loss, the length of time that tax losses are eligible for carry forward to offset against future taxable profits and whether future taxable profits are expected to be sufficient to allow recovery of deferred tax assets.

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

Macquarie Capital (Europe) Limited

Notes to the financial statements for the financial year ended 31 March 2021

Note 3. Significant accounting policies (continued)

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 for (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. Where such alternative evidence exists, the Company recognises profit or loss immediately when the instrument is recognised ('day 1 profit or loss'). When significant unobservable inputs are used to determine fair value, the day 1 profit or loss is deferred and is recognised in the profit and loss account over the life of the transaction or when the inputs become observable.

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.

Derecognition of financial instruments

Financial assets

Financial assets are derecognised from the balance sheet when:

- the 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,
- the Company is prohibited from selling or pledging the original asset other than as security to the eventual recipients, and
- the Company is obligated to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In transactions where the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, the asset is derecognised if control over the asset is lost. Any interest in the transferred and derecognised financial asset that is created or retained by the Company is recognised as a separate asset or liability.

In transfers where control over the asset is retained, the Company continues to recognise the asset to the extent of its continuing involvement as determined by the extent to which it is exposed to changes in the value of the transferred asset.

Macquarie Capital (Europe) Limited

Notes to the financial statements for the financial year ended 31 March 2021

Note 3. Significant accounting policies (continued)

iv) Financial instruments (continued)

Financial liabilities

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

Gains and losses on the derecognition of debt financial assets and liabilities

Gains and losses arising from the derecognition of debt financial assets or financial liabilities are recognised in:

- net trading income in respect of trading-related balances that are subsequently measured at amortised cost,
- investment income within other operating income and charges in respect of financial investments, and
- other income and charges as part of other operating income and charges for all other financial assets and financial liabilities.

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 and its intention with respect to its financial assets. In determining the business model, all relevant evidence that is available at the date of the assessment is used including:

- (i) how the performance of the financial assets held within that business model is evaluated and reported to the 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. 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.

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 a credit impairment charge in other operating income and expenses) and foreign exchange gains and losses (which are recognised in other operating income). When debt financial assets at FVOCI are derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI and recognised in investment income as part of other operating income and expenses.

Macquarie Capital (Europe) Limited

Notes to the financial statements for the financial year ended 31 March 2021

Note 3. Significant accounting policies (continued)

iv) Financial instruments (continued)

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 as investment income within other operating income and charges.

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 net trading income.
- Changes in the fair value of debt financial investments and loans to associates and joint ventures that fail SPPI are recognised in investment income as part of other operating income and charges.
- Changes in the fair value of all other FVTPL and DFVTPL financial assets are recognised as part of other income and charges within other operating income and charges.

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

Reclassification of financial instruments

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

The Company does not reclassify financial liabilities after initial recognition.

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 in other income and charges as part of other operating income and charges.

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.

Macquarie Capital (Europe) Limited

Notes to the financial statements for the financial year ended 31 March 2021

Note 3. Significant accounting policies (continued)

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 subject to the arrangement is not derecognised from the balance sheet of the relevant parties, as the risks and rewards of ownership remain with the initial holder.

These transactions include:

- reverse repurchase transactions, where the Company purchases an underlying under an agreement to resell,
- repurchase transactions, where the Company sells an underlying under an agreement to repurchase.

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 are measured as followed by the Company:

- agreements that are collateralised with commodities are measured at amortised cost when they are held in a business model to collect contractual cash flows and IFRS 9's SPPI criteria are met.
- 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 29 *Measurement categories of financial instruments*.

Repurchase agreements are measured at DFVTPL to eliminate an accounting mismatch created by managing these agreements together with the associated reverse repurchase agreements that are measured at FVTPL.

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 initial holder. 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) Trading assets and liabilities

The Company uses trade date accounting when recording regular way purchases and sales of trading assets and liabilities that are classified as HFT. At the date a purchase transaction is entered into ("trade date"), the Company recognises the resulting financial asset or liability and any subsequent unrealised gain or loss arising from revaluing that contract to fair value as part of net trading income, except for interest income on HFT debt financial assets which is recognised in interest income. Refer to Note 3(iv) *Financial Instruments*.

Trading assets (long positions) comprise financial instruments such as debt and equity securities, bank bills, treasury notes, loans and commodity contracts purchased with the intent of being actively traded either individually or as part of a portfolio.

Trading liabilities comprise obligations to deliver assets (short positions) across the same trading categories and which the Company intends to actively trade.

These positions have been disposed of as at 31 March 2021.

When the Company becomes party to a sale contract, and the derecognition criteria are met (refer to Note 3(iv) *Financial Instruments*), it derecognises the trading asset or liability and recognises a trade receivable or trade payable from trade date until settlement date.

Macquarie Capital (Europe) Limited

Notes to the financial statements for the financial year ended 31 March 2021

Note 3. Significant accounting policies (continued)

vii) Financial investments

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

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

viii) Cash at Bank and in hand

Cash at bank comprises of cash and bank balances as well as certain liquid financial investments and non trading reverse repurchase agreements that have a contractual maturity of three months or less from the date of acquisition and which are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are available to meet the Company's short term cash commitments. Cash at bank exclude margin money balances, trading assets and certain client related balances which are segregated from the Company's own funds and thus restricted from use.

ix) Tangible assets and Right-of-use ("ROU") assets

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

ROU assets are measured at cost and comprise of the amount that corresponds to the amount recognised for the lease liability on initial recognition together with any lease payments made at or before the commencement date (less any lease incentives received), initial direct costs and restoration related costs.

Tangible assets and ROU assets include assets leased out under operating leases.

Depreciation to allocate the difference between cost and residual values over the estimated useful life is calculated on the straight line basis.

A ROU asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term.

Annual depreciation rates are summarised below:

Tangible assets	Depreciation rates
Furniture, fittings and leasehold improvements ¹	10 to 20 %
Computer and communication equipment	33 to 50 %

Right-of-use asset	Depreciation rates
Property	3-67%

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 and charges in the profit and loss account.

The depreciation charge relating to corporate building leases is presented as part of occupancy expenses while depreciation relating to leases entered into or assets held by trading related businesses for the purpose of facilitating trading activities is presented as part of net trading income in the profit and loss account. All other depreciation is presented as part of other operating expenses.

Macquarie Capital (Europe) Limited

Notes to the financial statements for the financial year ended 31 March 2021

Note 3. Significant accounting policies (continued)

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, 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, 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 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. This includes assets and liabilities of businesses and subsidiaries, other assets and liabilities, and subsidiaries that are acquired exclusively with a view to sell or distribute.

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.

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

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 other long-term benefits are recognised at the present value of expected future payments to be made.

In determining this amount, consideration is given to expected future salary levels and employee service histories. Expected future payments are discounted to their net present value using discount rates on high quality corporate bonds, except where there is no deep market, in which case rates on applicable government securities are used. Such discount rates have terms that match as closely as possible the expected future cash flows.

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

Macquarie Capital (Europe) Limited

Notes to the financial statements for the financial year ended 31 March 2021

Note 3. Significant accounting policies (continued)

xii) Impairment

Expected credit losses ("ECL")

The ECL requirements apply to financial assets measured at amortised cost and FVOCI, lease receivables, amounts receivable from contracts with customers, loan commitments, certain letters of credit and financial guarantee contracts issued that are not DFVTPL. The Company applies a three-stage approach to measuring the ECL based on changes in the financial asset's underlying credit risk and includes forward-looking or macroeconomic information ("FLI").

The calculation of ECL requires judgement and the choice of inputs, estimates and assumptions. Refer to Note 13 *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.

The ECL is determined with reference to the following stages:

i) Stage I – 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.

ii) Stage II – 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 13 *Expected credit losses*.

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

iii) Stage III – Lifetime ECL credit-impaired

Financial assets are classified as Stage III where they are determined to be credit impaired, which generally matches 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, loans and advances to other Macquarie group entities, loans to associates and joint ventures measured at amortised cost – as a deduction to the gross carrying amount
- loan assets, loans to associates and joint ventures, and 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
- lease receivables, contract receivables and other assets measured at amortised cost – as a deduction to the gross carrying amount
- undrawn credit commitments and financial guarantees (not measured at FVTPL) – as a provision included in other liabilities.

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.

Macquarie Capital (Europe) Limited

Notes to the financial statements for the financial year ended 31 March 2021

Note 3. Significant accounting policies (continued) xiii) 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 26 *Employee equity participation*.

The Company recognises a prepaid asset at grant for these awards, since MGL is reimbursed in advance. This amount is recognized as an expense over the respective vesting periods. MGL recognises a corresponding increase in equity for the equity settled awards to employees. The awards are measured at the grant date based on their fair value and using the number of equity instruments expected to vest.

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.

xiv) 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.

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 a ROU asset (as explained in Note 3(ix) *Tangible assets and right-of-use assets*) 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. Any variable lease payments not included in the measurement of the lease liability are also recognised in the profit and loss account in the period in which the event or condition that triggers those payments occurs.

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.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying value of the ROU asset, or, as net operating lease income, where the carrying value of the ROU asset has been reduced to zero.

Presentation

The Company presents ROU assets in *Tangible Assets & ROU assets* (refer to Note 7) and lease liabilities in *Creditors: amounts falling due after more than one year* (refer to Note 16) on the balance sheet. As a result of the transfer to MCF, ROU 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. Refer to Note 31 *Discontinued operations* for further details on the transfer.

Macquarie Capital (Europe) Limited

Notes to the financial statements for the financial year ended 31 March 2021

Note 3. Significant accounting policies (continued)

xv) Defined benefit pension plan

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

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

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

xvi) Called up share capital

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

xvii) 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 2021

	2021	2020
	£'000	£'000

Note 4. Loss before taxation

Loss before taxation is stated after crediting:

Turnover by category:

Advisory services	65,694	142,492
Brokerage commission income	42,268	52,748
Net trading income/(loss)	171	(1,094)
Equities research income	73	3,846
Underwriting income	-	297
Service fees received from other Macquarie Group undertakings	9,878	10,056
Other revenue	61	2,707
Total turnover	118,145	211,052

Administrative expenses

Staff Costs

Wages and salaries	8,398	9,742
Social security costs	643	88
Share based payment charge	1,649	1,162
Resourcing charge/(credit) from Macquarie Group undertakings	100	(50)
Total staff costs	10,790	10,942

Fee allocations to other Macquarie Group undertakings	50,315	102,573
Internal fee and management fee expenses	19,171	52,453
Brokerage expenses	34,445	35,279
Rent and occupancy costs	527	474
Depreciation charges		
Owned assets	105	117
Leased assets	534	492
Service cost recharged from other Macquarie Group entities	14,649	15,195
Auditors' remuneration		
Fees payable to the Company's auditors for the audit of the Company ¹	275	188
Fees payable to the Company's auditors for other services	101	77
Other administrative expenses	6,828	5,164
Total administrative expenses	137,740	222,954

¹Fees payable to the Company's auditors for current year includes £73,000 relating to previous year.

Interest

Interest receivable and similar income from:²

Other Macquarie Group undertakings	828	2,474
Unrelated parties	2	19
Total interest receivable and similar income	830	2,493

²Includes interest income calculated using effective interest method of £830,000 (2020: £2,493,000) on the financial assets in the Company that are measured at amortised cost.

Interest payable and similar expenses to:³

Other Macquarie Group undertakings	1,615	2,282
Unrelated parties	482	620
Total interest payable and similar expenses	2,097	2,902

³Includes interest expense of £2,080,000 (2020: £2,902,000) 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 2021

	2021	2020
	£'000	£'000

Note 4. Loss before taxation (continued)

Other operating income/(expense):

Foreign exchange losses	(1,598)	(518)
Credit impairment reversal/(charges)	577	(567)
Net gain on equity investment ⁴	4,774	2,877
Other operating income ⁵	11,665	281
Total other operating income	15,418	2,073

⁴Fair value gain and losses from equity financial investments that have been classified as FVTPL.

⁵Includes £11,600,000 gain recognised from the transfer of the operations of the branches in Germany, Netherlands and France as well as the representative office in Spain to Macquarie Capital France Société Anonyme. Please refer to Note 31 *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 2021	No. of employees 2020
Commodities and Global Markets:		
Advisory and Sales	1	1
Macquarie Capital:		
Administration and support services	24	12
Risk Management Group:		
Administration and support services	1	-
Total employees	26	13

Note 6. Tax on (loss)/profit

	2021	2020
	£'000	£'000

(i) Tax (expense)/benefit included in profit or loss

Current tax

UK corporation tax at 19% (2020: 19%)	1,852	3,424
Adjustments in respect of prior years	(412)	1,206
Foreign tax suffered	(3,206)	(3,031)
Total current tax (expense)/benefit	(1,766)	1,599

Deferred tax

Origination and reversal of temporary differences	(272)	(98)
Adjustments in respect of previous periods	70	5
Effect of changes in tax rates	(69)	18
Total deferred tax expense	(271)	(75)
Tax (expense)/benefit on loss	(2,037)	1,524

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2021

Note 6. Tax on (loss)/profit (continued)

	2021 £'000	2020 £'000
(ii) Reconciliation of effective tax rate		
The income tax charge for the period is lower (2020: lower) than the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:		
Loss before taxation¹	5,444	10,238
Current tax charge at 19% (2020: 19%)	1,034	1,945
Effect of –		
Adjustments in respect of previous periods	(342)	1,210
Expenses not deductible for tax purposes	(37)	(116)
Foreign tax suffered	(3,206)	(3,031)
Deduction for foreign tax suffered	569	576
Bank surcharge	-	1,023
Non-assessable income	14	(101)
Effect of rate change	(69)	18
Total tax (expense)/benefit on loss	(2,037)	1,524

The UK Government announced in the Budget on 3 March 2021 that the main rate of corporation tax will increase to 25% for the financial year beginning 1 April 2023. Prior to this date, the rate of corporation tax will remain at 19%. The increase to 25% rate was not substantively enacted at 31 March 2021, therefore the Company has continued to measure deferred tax balances at 19%.

The Company has estimated that the increase to 25% would increase the Company's deferred tax assets by £72,000. The current rate for the banking surcharge is still at 8%.

Note 7. Tangible assets and ROU assets

	As at 31 March 2021		
	Cost	Accumulated depreciation and impairment	Carrying value
	£'000	£'000	£'000
Assets for own use			
Furniture, fittings and leasehold improvements	467	(458)	9
Computer and communication equipment	230	(224)	6
Total assets for own use	697	(682)	15

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 property, plant and equipment and right-of-use assets was as follows:

Assets for own use	Furniture, fittings and leasehold improvements £'000	Computer and communication equipment £'000	Total £'000
Balance at 1 April 2020	138	71	209
Acquisitions	221	30	251
Disposals	(273)	(44)	(317)
Foreign exchange movements	(19)	(4)	(23)
Depreciation expense (Note 4)	(58)	(47)	(105)
Balance at 31 March 2021	9	6	15

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued)

for the financial year ended 31 March 2021

Note 7. Tangible assets and ROU assets (continued)

Right-of-use assets	Property £'000	Total £'000
Balance at 1 April 2020	2,621	2,621
Acquisitions	209	209
Depreciation expense (Note 4)	(534)	(534)
Foreign exchange movements and other adjustments	(34)	(34)
Transfers to held for sale assets ¹	(2,262)	(2,262)
Balance at 31 March 2021	-	-

¹Represent ROU 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. As of 31 March 2021, the assets have not been fully transferred and are subsequently disclosed as HFS assets on the balance sheet. Refer to Note 31 *Discontinued operations* for further details on the transfer.

	2021 £'000	2020 £'000
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Assets under operating lease		
Between three and four years	-	-
Between four and five years	-	2,621
Total future minimum lease payments receivable	-	2,621

Note 8. Financial investments

	2021 £'000	2020 £'000
Equity securities:		
Listed	-	2,751
Total Financial investments	-	2,751

Note 9. Debtors

	2021 £'000	2020 £'000
Amounts owed by other Macquarie Group undertakings ¹	715,437	683,864
Brokerage trade debtors ²	408,666	385,603
Reverse repurchase agreements ³	78,751	74,380
Fees and other receivables ⁴	21,863	23,988
Cash collateral on securities borrowed	-	2,494
Prepayments and accrued income	240	721
VAT recoverable	630	1,247
Income tax receivables	432	-
Other trade debtors	18,283	18,996
Total debtors	1,244,302	1,191,293

¹Amounts owed by other Macquarie Group undertakings are unsecured and have no fixed date of repayment. The Company derives interest on intercompany loans to group undertakings at market rates and at 31 March 2021 the rate applied ranged between LIBOR plus 0.69% and LIBOR plus 3.78% (2020: between LIBOR plus 1.11% and LIBOR plus 2.86%).

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

³Represents reverse repurchase agreements with other Macquarie Group undertakings. The Company derives interest on these instruments at market rates. At 31 March 2021 the rate applied was 0.05% with respect to sterling denominated instruments.

⁴Fees and other receivables include £6,927,000 (2020: £5,756,000) of contract assets and unbilled receivables.

At the reporting date, amounts owed by other Macquarie Group undertakings has an ECL allowance of £103,000 (2020: £95,000) which is net presented against the gross carrying amount.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2021

	2021 £'000	2020 £'000
Note 10. Cash at bank and in hand		
Cash at bank and in hand	2,140	1,285
Total cash at bank and in hand	2,140	1,285

Note 11. Trading assets

Equity securities:

Listed	-	638
Total trading assets	-	638

Note 12. Held for sale assets

Assets of disposal groups classified as held for sale ¹	2,264	-
Total held for sale assets	2,264	-

¹Primarily represents ROU 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. As of 31 March 2021, the assets have not been fully transferred and are subsequently disclosed as HFS assets on the balance sheet. Refer to Note 31 *Discontinued operations* for further details on the transfer.

Note 13. Expected credit losses

At the reporting date the Company has presented the ECL allowances in its balance sheet as financial assets measured at amortised cost: Deduction against the gross carrying amount.

Model inputs

The Company models ECL for on-balance sheet financial assets measured at amortised cost. For this purpose, the Company split its credit portfolio among other related Macquarie Group entities.

The Company has developed several models to predict the Expected Credit Losses (ECL). These models incorporate a range of inputs notably that of Exposure at Default (EAD), Probability of Default (PD) and Loss Given Default (LGD) ('credit inputs') as well as Forward Looking Information (FLI).

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 is generally performed at a facility level.
- 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.

Method of determining 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, 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 II or, if defaulted, as Stage III.

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 exposures' credit risk since origination. This may result in exposures being classified in Stage II that are of a higher credit quality than other similar exposures that are classified as Stage I. Accordingly, while increases in the quantum of Stage II exposures will suggest an increase in credit risk, it should not necessarily be inferred that the assets are of a lower credit quality.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2021

Note 13. Expected credit losses (continued)

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 II. 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 II.

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 to the realisation of collateral; or the borrower is 90 days or more past due.

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.

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 various market indicators and the key model inputs in measuring the ECL have been developed by analysing historical data as part of the development of internal models, and validation process.

These indicators, both in terms of the magnitude and type of indicator, are reviewed throughout the financial year.

The Company applied its professional judgement in determining whether there are any inherent risks in the models' predictive outcomes. These overlays consider the risk that losses predicted to occur at points of particular economic stress, which have since been passed, are yet to occur and that uncertainty exists as to whether enhanced levels of government and other-related support measures may cause the loss emergence profile to differ to that for which the models have been calibrated. These overlays also 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 regional, 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 approximately £11,000 (2020: £39,000). These judgements are reviewed by FMG and RMG at each reporting date.

RMG is responsible for the FLI including the development of scenarios and the weighting applied to those scenarios. For this purpose, three possible economic scenarios have been developed, being an upside, downside and base case scenario. In calculating the ECL, each of the scenarios are probability weighted and then applied to the exposures' PDs and LGDs. The scenarios and the assigned probabilities are updated quarterly or if a material disruption event were to occur. For the current reporting period the Company has continued to anchor the upside and downside scenarios with COVID-19 as the key driver of the macroeconomic outlook. Noting the wide range of possible scenarios and macroeconomic outcomes, and the continuing uncertainty of how COVID-19 and its social and economic consequences will flow, these scenarios represent plausible forward-looking views as at the reporting date.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2021

Note 13. Expected credit losses (continued)

The below table presents the gross exposure and related ECL allowance for each class of assets subject to impairment requirements of IFRS 9¹.

	As at 31 March 2021		As at 31 March 2020	
	Gross exposure ¹ £'000	ECL allowance £'000	Gross exposure ¹ £'000	ECL allowance £'000
Fees receivable	21,896	33	24,610	622
Amounts owed by other Macquarie Group undertakings	715,540	103	683,959	95
Total credit impaired financial assets	737,436	136	708,569	717

¹Gross exposure represents the carrying value of assets subject to impairment requirements of IFRS 9. Financial assets measured at fair value through profit & loss are not subject to impairment and are therefore not included in the above table.

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

	Fee receivable £'000	Amounts owed by other Macquarie Group undertakings £'000	Total £'000
Balance as at 31 March 2020	622	95	717
Impairment reversal (Note 3(xii))	(575)	(2)	(577)
Foreign exchange movement	(14)	10	(4)
Balance as at 31 March 2021	33	103	136
		2021	2020
		£'000	£'000

Note 14. Held for sale liabilities

Liabilities of disposal groups classified as held for sale ¹	2,659	-
Total liabilities classified as held for sale	2,659	-

¹Primarily represents lease liabilities 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. As of 31 March 2021, the liabilities have not been fully transferred and are subsequently disclosed as HFS liabilities on the balance sheet. Refer to Note 31 *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 2021

	2021 £'000	2020 £'000
Note 15. Creditors: amounts falling due within one year		
Due to brokers and customers ¹	599,534	545,998
Amounts owed to other Macquarie Group undertakings ²	408,634	394,093
Legal provision ³	2,700	1,000
Taxation	-	1,081
Other creditors	4,459	4,314
Total creditors	1,015,327	946,486

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

² Amounts owed to other Macquarie Group undertakings are unsecured and have no fixed date of repayment. The Company incurs interest on amounts owed to other Macquarie Group undertakings at market rates and at 31 March 2021 the rate applied was LIBOR plus 1.09% (2020: LIBOR plus 1.74%).

³ Relates to a provision, which represents a probable outflow of economic benefits that can be reliably measured.

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

	2021 £'000	2020 £'000
Amounts owed to other Macquarie Group undertakings ¹	50,732	59,108
Lease liabilities ²	-	2,831
Other creditors	-	233
Total creditors	50,732	62,172

¹ Amount due to other Macquarie Group undertakings have a maturity date of 15 February 2023. The Company incurs interest on amounts owed to other Macquarie Group undertakings, at 31 March 2021 the rate applied was LIBOR plus 1.09% (2020: LIBOR plus 1.74%).

² Represent lease liabilities 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 lease liabilities to MCF. As of 31 March 2021, the liabilities have not been fully transferred and are subsequently disclosed as HFS liabilities on the balance sheet. Refer to *Note 31 Discontinued operations* for further details on the transfer.

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

	2021 £'000	2020 £'000
Provision for employee entitlements	1,801	3,688
Total provisions	1,801	3,688

Of the above amounts, £1,293,000 (2020: £3,318,000) is expected to be settled within 12 months of the reporting date by the Company.

Reconciliation of provisions:

Balance at the beginning of the financial year	3,688	2,542
Provisions made during the financial year	1,840	2,592
Provisions used during the financial year	(3,319)	(1,260)
Transfers to other Macquarie Group undertakings	(407)	(231)
Foreign exchange movements	(1)	45
Balance at the end of the financial year	1,801	3,688

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2021

Note 18. Deferred tax assets

	2021 £'000	2020 £'000
The balance comprises temporary differences attributable to:		
Fixed assets	901	1,015
Other assets and liabilities	223	328
Net deferred tax assets	1,124	1,343
Reconciliation of the Company's movement in deferred tax assets		
Balance at the beginning of the financial year	1,343	1,520
Deferred tax charged to profit and loss for the period	(260)	(61)
Effect of changes in tax rates	(102)	3
Deferred tax charged to equity	40	(141)
Change in tax relating to reserves	33	17
Adjustments in respect of prior periods	70	5
Balance at the end of the financial year	1,124	1,343

Note 19. Pension commitments

For employees of the German branch and Switzerland representative office, the Company operates defined benefit pension plans 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 plans of the employees related to this business. The Company operates four separate plans, with one plan for current employees in Switzerland (G3153/1F9696) and three plans for former employees in Germany (AV Opp 2005, Def Comp, and VO 1995). The plans provide disability and death benefits on the basis of members' salary.

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

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

The risks of the plan 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.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued)

for the financial year ended 31 March 2021

Note 19. Pension commitments (continued)

The plan 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 CHF 86'040 (amount in 2021) 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. 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 German branch has determined that it has an unconditional right to a refund of surplus assets if the plan is run off until the last member dies, on which basis IFRIC 14 does not cause any change in the balance sheet disclosure before tax. No allowance is made in the benefit obligation for discretionary benefits on the grounds that there is no constructive obligation to provide such benefits. Therefore any benefit increases that are awarded on a discretionary basis are accounted for as a past service cost. An estimate of the Pension Protection Fund levy accrued during the reporting period is included in the allowance for administration expenses.

The most recent actuarial valuations of the Company's defined benefit pension plan was as at 31 March 2021. 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		Germany	
	2021	2020	2021	2020
	%	%	%	%
Discount rates	0.38	0.78	1.40	1.81
Rate of increase in salaries	1.00	1.00	0.00	2.00
Inflation assumptions	0.70	0.10	1.00	1.75

The mortality assumptions used in the valuation of the defined benefit pension liabilities of the Swiss and German plans at 31 March 2021 are summarised in the table below. These are based on the BVG 2015 actuarial tables for the Swiss plan and the Heubeck RT 2018 G actuarial tables for the German plans.

	Switzerland		Germany	
	2021	2020	2021	2020
Longevity at age 65 – current				
Men	22.57	22.72	20.47	20.18
Women	24.37	24.76	23.92	23.69
Longevity at age 65 – future				
Men	24.86	24.48	23.23	22.96
Women	26.40	26.51	26.15	25.93

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.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2021 Note 19. Pension commitments (continued)

Plan assets and rates of return were as follows:

	Long-term rate of return expected 31 March 2021	Value at 31 March 2021	Long-term rate of return expected 31 March 2020	Value at 31 March 2020
	%	£'000	%	£'000
Cash	(0.3)	561	0.6	586
Equity	7.3	453	5.0	443
Debt Securities	1.4	1,127	1.2	1,108
Total market value of assets		2,141		2,137
Present value of plan liabilities		(3,589)		(3,523)
Net deficit of the plan		(1,448)		(1,386)
Deferred tax		79		136
Net pension plan liability		(1,369)		(1,250)

	2021 £'000	2020 £'000
Reconciliation of present value of plan liabilities:		
Balance at the beginning of the financial year	3,523	3,923
Current service cost	36	53
Past service cost	-	(56)
Interest cost	50	48
Contributions by plan participants	25	17
Foreign currency exchange rate movements	(206)	174
Premiums paid	(14)	(10)
Benefits paid from the plan	(16)	(381)
Actuarial loss arising from changes in demographic assumptions	(40)	-
Actuarial gain/(loss) arising from changes in financial assumptions	229	(82)
Actuarial gain/(loss) arising from liability experience adjustments	2	(163)
Balance at the end of the financial year	3,589	3,523

Reconciliation of fair value of plan assets:		
Balance at the beginning of the financial year	2,137	2,372
Expected return on plan assets	29	27
Actuarial gain/(losses)	39	(30)
Foreign currency exchange rate movements	(132)	115
Premiums paid	(14)	(11)
Contributions paid by participants	25	17
Benefits paid from the plan	(16)	(410)
Contributions paid by the Company	73	57
Balance at the end of the financial year	2,141	2,137

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

The actual return on the plan assets in the year was £68,000 (2020: loss of £2,500).

It is estimated that in the year to 31 March 2022, the Company will make additional contributions to the plan of £45,000.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2021

Note 19. Pension commitments (continued)

		2021 £'000	2020 £'000
The weighted average duration of the defined benefit obligation (in years) for each plan is as follows:			
Branch	Plan	2021	2020
Switzerland	G3153/1F9696	20.2	21.1
Germany	AV Opp 2005	5.3	6.2
Germany	Def. Comp.	6.8	7.2
Germany	VO 1995	23.8	24.0

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

Current service cost	36	53
Past service cost	-	(56)
Expected return on pension plan assets	(29)	(27)
Interest on pension plan liabilities	50	48
Total charge	57	18

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

Experience adjustments in plan assets	39	(30)
Experience adjustments in plan liabilities	(191)	245
Total actuarial (loss)/gain recognised in statement of comprehensive income	(152)	215

Note 20. Called up share capital and reserves

	2021 Number of shares '000	2020 Number of shares '000	2021 £'000	2020 £'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 21. Contribution from ultimate parent entity in relation to share-based payments

Equity contribution from parent entity			
Opening balance of equity contribution from parent entity	2,090	2,127	
Equity contribution/(reduction) from ultimate parent entity as a result of deferred tax on share based payments	27	(37)	
Total equity contribution from parent entity	2,117	2,090	

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued)

for the financial year ended 31 March 2021

Note 22. Reserves and profit and loss account

	2021 £'000	2020 £'000
Reserves		
Foreign currency translation reserve		
Balance at the beginning of the financial year	732	12
Exchange differences on translation of foreign operations, net of tax	(1,003)	720
Balance at the end of the financial year	(271)	732
Exchange differences 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	(7)	-
Revaluation losses recognised in other comprehensive income	-	(7)
Balance at the end of the financial year	(7)	(7)
Retirement benefit reserve		
Balance at the beginning of the financial year	(156)	(507)
Actuarial (loss)/gain on pension schemes	(152)	215
Deferred tax associated with actuarial (loss)/gain	79	136
Balance at the end of the financial year	(229)	(156)
Total reserves	(507)	569
Profit and loss account		
Balance at the beginning of the financial year	(152,851)	(144,137)
Loss for the financial year	(7,481)	(8,714)
Balance at the end of the financial year	(160,332)	(152,851)
Total profit and loss account	(160,332)	(152,851)

Note 23. Capital management strategy

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

The Company's capital management objectives are to:

- ensure sufficient capital resource to support the Company's business and operational requirements;
- 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 entity's capital requirements are performed to ensure the Company is meeting its objectives. Capital is defined as share capital plus reserves, including profit and loss account.

The Company is authorised by the Financial Conduct Authority ("FCA") to undertake investment business activities. The Company has satisfied its FCA imposed capital requirements throughout the financial year. To the best of our knowledge at the time, during the current and prior financial years, the Company has continued to meet its capital requirements under the FCA requirements and no breaches have occurred. For further information related to capital management and FCA Pillar 3 disclosure requirements, refer to the documents made available on the Company's website (Note 35) which are unaudited and do not form part of this report.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2021

Note 24. 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 34.

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. During the current financial year, the Tripartite Outsourcing Major Services Agreement (TOMSA) became effective governing 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.

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

Associates and joint ventures of the Macquarie Group

Transactions between the Company and its associates and joint ventures principally arise from the provision of corporate advisory services.

Balances may arise from lending and borrowing activities between the Company and its associates and joint ventures which are generally extended on a term basis and where appropriate may be either subordinated or collateralised.

Details of holdings by related party undertakings are as below:

31 March 2021

Nature of Related party	Corporate advisory fees £'000	Expenses invoiced to client £'000	Expenses to be charged to client £'000	Receivable at 31 March 2021 £'000
Associates and joint ventures of the Macquarie Group	9,789	2	-	5,307

31 March 2020

Nature of Related party	Corporate advisory fees £'000	Expenses invoiced to client £'000	Expenses to be charged to client £'000	Receivable at 31 March 2020 £'000
Associates and joint ventures of the Macquarie Group	17,649	17	-	2,629

Note 25. Directors' remuneration

Independent Non-Executive Directors' emoluments paid by the Company for the financial year ended 31 March 2021 were £204,600 (2020: £57,500).

During the financial year, all Directors, apart from the Independent Non-Executive Directors, were employed by and received all emoluments from other Macquarie Group undertakings. The Directors perform directors' duties for multiple entities in the Macquarie Group, as well as their employment duties within Macquarie Group businesses. Consequently, allocating their employment compensation accurately across all of these duties would not be meaningful. Accordingly, no separate remuneration has been disclosed apart from where stated above.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2021

Note 26. 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.

	Number of RSU Awards	
	2021	2020
RSUs on issue at the beginning of the financial year	15,122	548
Vested RSUs withdrawn or sold from the MEREP during the financial year	(1,679)	(59)
Transfers (to)/from related body corporate entities	(12,764)	14,633
RSUs on issue at the end of the financial year	679	15,122
RSUs vested and not withdrawn from the MEREP at the end of the financial year	-	-

There is no RSU granted in current as well as in previous financial year.

Deferred Share Units ("DSUs")

A DSU represents the right to receive on exercise of the DSU either an MGL's 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 Company'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.

	Number of DSU Awards	
	2021	2020
DSUs on issue at the beginning of the financial year	24,624	14,957
Granted during the financial year	34,316	10,553
Forfeited during the financial year	(362)	-
Exercised during the financial year	(8,604)	(5,779)
Net transfers from/(to) related body corporate entities	(45,982)	4,893
DSUs on issue at the end of the financial year	3,992	24,624
DSUs exercisable at the end of the financial year	-	219

The weighted average fair value per unit of the DSU awards granted during the Financial year was £66 (2020: £63).

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued)

for the financial year ended 31 March 2021

Note 26. Employee equity participation (continued)

Participation in the MEREP is currently provided to the following Eligible Employees:

- Executive Directors with retained Directors' Profit Share (DPS) from 2009 onwards, a proportion of which is allocated in the form of MEREP awards (Retained DPS Awards)
- 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 Group staff who commence at Associate Director, Division Director or Executive Director level and are awarded a fixed Australian dollar value, depending on level (New Hire Awards)
- 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 the Macquarie upon the acquisition of their employer by a Macquarie 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
Retained DPS Awards	All other Executive Directors	1/3rd in the 3rd, 4th and 5th year following the year of grant ²
New Hire Awards	All Director-level staff	1/3rd on each first day of a staff trading window on or after the 2nd, 3rd and 4th anniversaries of the date of allocation

¹ Vesting will occur during an eligible staff trading window.

² Vesting will occur during an eligible staff trading window. If an Executive Director has been on leave without pay (excluding leave to which the Executive Director may be eligible under local laws) for 12 months or more, the vesting period may be extended accordingly.

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

For Retained Profit Share awards representing fiscal year 2020 retention, the allocation price was the weighted average price of the shares issued for the fiscal year 2020 issue period, which was 25 May 2020 to 5 June 2020. That price was calculated to be £62 (2019 retention: £60).

RSUs and DSUs are measured at their grant dates based on their fair value¹ and for each PSU, the awards expected to vest are measured on the basis of the assumptions below. This amount is recognised as an expense evenly over the respective vesting periods.

DSUs have been granted in the current financial year in respect of 2020. The accounting fair value of each of these grants is estimated using the MGL's share price on the date of grant.

While RSU's and DSUs for year ended 31 March 2021 will be granted during for year ended 31 March 2022, the Company begins recognising an expense for these awards (based on an initial estimate) from 1 April 2020. The expense is estimated using the estimated MEREP retention for year ended 31 March 2021 and applying the amortisation profile to the retained amount.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2021 Note 26. Employee equity participation (continued)

Assumptions used to determine fair value of MEREP awards

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

The Company annually revises its estimates of the number of awards (including those delivered through MEREP) that are expected to vest. It recognises the impact of the revision to original estimates, if any, as part of employment expenses in the profit and loss account, with a corresponding adjustment to equity (for equity settled awards), or a corresponding adjustment to liabilities (for cash settled awards).

For the financial year ended 31 March 2021, compensation expense relating to the MEREP totalled £1,649,000 (2020: £1,108,000).

¹ For employees categorized 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 27. Contingent liabilities and commitments

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

Note 28. Financial risk management

Risk Management Group ("RMG")

Risk is an integral part of the Macquarie Group's businesses. The material risks faced by the Group include aggregate, asset, conduct, credit, environmental and social (including climate change), equity, financial crime, legal, liquidity, market, operational (including cyber and information security), regulatory and compliance, reputational, strategic, tax, and work health and safety risks.

The primary responsibility for risk management lies with the business. An important part of the role of all staff throughout Macquarie is to ensure they manage risks appropriately.

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

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2021 Note 28. Financial risk management (continued)

28.1 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 either the amount of the loan or 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 is undertaken under authority delegated by the MGL board 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. Retail credit exposures are monitored by the business units and overseen by RMG Credit on a portfolio basis.

All credit exposures are monitored regularly against limits. Credit exposures for loan assets are reported at amortised cost or fair value. Derivative exposures are measured using high confidence potential future underlying asset prices. To mitigate credit risk, where appropriate, the Company makes use of margining and other forms of collateral or credit enhancement techniques (including guarantees, letters of credit and the purchase of credit default swaps).

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 and off-balance sheet items that are subject to the impairment requirements of IFRS 9.

Ratings and reviews

Refer to Note 13 *Expected credit losses* for details regarding the manner in which the Company has adopted and applied IFRS 9's expected credit loss impairment requirements.

Wholesale rating

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

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

Retail rating

Retail pools are mapped to the credit quality grades based on their PDs.

Mapping retail portfolios to the credit grades has been done for comparability of the overall presentation and does not reflect the distribution of risk in the portfolio. Management reviews a range of information, including past due status for the portfolio, to assess the credit quality of these assets.

Under IFRS 9, credit quality of retail lending exposures was disclosed based on regulatory PDs (through-the-cycle PDs) and considered the credit rating of the insurance provider for insured mortgages.

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.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued)

for the financial year ended 31 March 2021

Note 28. Financial risk management (continued)

28.1 Credit risk (continued)

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.

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 and off balance sheet exposures of the Company subject to the impairment requirements of IFRS 9. 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 2021			
	Stage I ²	Stage II ²	Stage III ²	Total
	£'000	£'000	£'000	£'000
Investment Grade				
Cash and bank balances	2,140	-	-	2,140
Amounts owed by other Macquarie group undertakings	712,435	-	-	712,435
Reverse repurchase agreements	78,751	-	-	78,751
Fees and other receivables	13,130	-	-	13,130
Brokerage and other trade debtors	371,110	-	-	371,110
Total investment grade	1,177,566	-	-	1,177,566
Non-investment grade				
Amounts owed by other Macquarie group undertakings	3,105	-	-	3,105
Fee receivable	2,728	363	-	3,091
Brokerage and other trade debtors	55,645	-	-	55,645
Total non-investment grade	61,478	363	-	61,841
Default				
Fees and other receivables	4,577	-	-	4,577
Brokerage and other trade debtors	33	-	-	33
Total default	4,610	-	-	4,610
Total	1,243,654	363	-	1,244,017
Financial assets by ECL stage				
Cash and bank balances	2,140	-	-	2,140
Amounts owed by other Macquarie group undertakings	715,540	-	-	715,540
Reverse repurchase agreements	78,751	-	-	78,751
Fees and other receivables	20,435	363	-	20,798
Brokerage and other trade debtors	426,788	-	-	426,788
Total financial assets by ECL stage²	1,243,654	363	-	1,244,017

¹For the purposes of this disclosure gross carrying amount of financial assets measured at amortised cost represents the amortised cost before ECL allowance and gross carrying amount of financial assets measured at FVOCI represents amortised cost before fair value adjustments and ECL allowance.

²For definition of Stage I, II, III refer Note 13 *Expected credit losses*. Whilst exposures may have migrated to stage II it should not be inferred that such exposures are of a lower credit quality. The ECL for the Stage III 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 2021 Note 28. Financial risk management (continued)

28.1 Credit risk (continued)

	As at 31 March 2020			
	Stage I ² £'000	Stage II ² £'000	Stage III ² £'000	Total £'000
Investment Grade				
Cash and bank balances	1,266	-	-	1,266
Amounts owed by other Macquarie group undertakings	666,453	-	-	666,453
Cash collateral on securities borrowed and reverse repurchase agreements	76,857	-	-	76,857
Fees and other receivables	21,421	-	-	21,421
Brokerage and other trade debtors	363,535	-	-	363,535
Total investment grade	1,129,532	-	-	1,129,532
Non-investment grade				
Amounts owed by other Macquarie group undertakings	17,412	-	-	17,412
Fee receivable	2,472	-	563	3,035
Brokerage and other trade debtors	41,017	-	-	41,017
Total non-investment grade	60,901	-	563	61,464
Default				
Cash and bank balances	19	-	-	19
Amounts owed by other Macquarie group undertakings	94	-	-	94
Fees and other receivables	154	-	-	154
Brokerage and other trade debtors	47	-	-	47
Total default	314	-	-	314
Total	1,190,747	-	563	1,191,310
Financial assets by ECL stage				
Cash and bank balances	1,285	-	-	1,285
Amounts owed by other Macquarie group undertakings	683,959	-	-	683,959
Cash collateral on securities borrowed and reverse repurchase agreements	76,857	-	-	76,857
Fees and other receivables	24,047	-	563	24,610
Brokerage trade debtors	404,599	-	-	404,599
Total financial assets by ECL stage²	1,190,747	-	563	1,191,310

¹For the purposes of this disclosure gross carrying amount of financial assets measured at amortised cost represents the amortised cost before ECL allowance and gross carrying amount of financial assets measured at FVOCI represents amortised cost before fair value adjustments and ECL allowance.

²For definition of Stage I, II, III refer Note 13 *Expected credit losses*. Whilst exposures may have migrated to stage II it should not be inferred that such exposures are of a lower credit quality. The ECL for the Stage III assets includes the benefit of collateral and other credit enhancements.

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.

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 29 *Measurement categories of financial instruments*). For off-balance sheet instruments, the maximum exposure to credit risk is a function of the contractual notional amount except for the certain usage-based guarantees in which the maximum exposure is determined with respect to the fair value of the underlying exposure and is disclosed in Note 13 *Expected credit losses*.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued)

for the financial year ended 31 March 2021

Note 28. Financial risk management (continued)

28.1 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 and off balance sheet exposures subject to the impairment requirements of IFRS 9. The geographical location is determined by the country of risk or country of domicile. Counterparty type is based on Prudential Regulation Authority ("PRA") classification.

As at 31 March 2021	Cash at Bank and in hand £'000	Brokerage trade debtors £'000	Amounts owed by other Macquarie Group undertakings £'000	Reverse Repurchase Agreements £'000	Fees and other receivables £'000	Other trade debtors £'000	Total £'000
Australia							
Financial institutions	-	93,835	569,939	78,751	-	-	742,525
Other	-	3	-	-	16	(6,018)	(5,999)
Total Australia	-	93,838	569,939	78,751	16	(6,018)	736,526
Americas							
Financial institutions	-	715	3,267	-	1,595	-	5,577
Other	-	-	2	-	-	-	2
Total Americas	-	715	3,269	-	1,595	-	5,579
Asia Pacific							
Financial institutions	-	-	17,723	-	-	-	17,723
Other	-	-	-	-	-	-	-
Total Asia Pacific	-	-	17,723	-	-	-	17,723
Europe, Middle East & Africa							
Government and public authorities	-	657	-	-	85	-	742
Financial institutions	2,140	313,438	123,574	-	12,909	24,122	476,183
Other	-	18	1,035	-	6,193	18	7,264
Total Europe, Middle East & Africa	2,140	314,113	124,609	-	19,187	24,140	484,189
Total gross credit risk¹	2,140	408,666	715,540	78,751	20,798	18,122	1,244,017

This balance excludes non-financial assets totalling £2,561,000 which are included in Note 9. Debtors.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2021 Note 28. Financial risk management (continued)

28.1 Credit risk (continued)

As at 31 March 2020	Cash at Bank and in hand £'000	Brokerage trade debtors £'000	Amounts owed by other Macquarie Group undertakings £'000	Reverse Repurchase Agreements £'000	Cash Collateral on Securities Borrowed £'000	Fees and other receivables £'000	Other trade debtors £'000	Total £'000
Australia								
Financial institutions	-	14,648	84,065	74,363	2,494	-	(262)	175,308
Other	-	2	-	-	-	17	-	19
Total Australia	-	14,650	84,065	74,363	2,494	17	(262)	175,327
Americas								
Financial institutions	-	1,322	77,630	-	-	623	-	79,575
Other	-	-	-	-	-	-	-	-
Total Americas	-	1,322	77,630	-	-	623	-	79,575
Asia Pacific								
Financial institutions	-	165	386,109	-	-	-	-	386,274
Other	-	-	862	-	-	-	-	862
Total Asia Pacific	-	165	386,971	-	-	-	-	387,136
Europe, Middle East & Africa								
Government and public authorities	-	213	-	-	-	-	-	213
Financial institutions	1,266	369,223	132,698	-	-	1,881	18,277	523,345
Other	19	987	2,595	-	-	22,089	24	25,714
Total Europe, Middle East & Africa	1,285	370,423	135,293	-	-	23,970	18,301	549,272
Total gross credit risk¹	1,285	386,560	683,959	74,363	2,494	24,610	18,039	1,191,310

This balance excludes non-financial assets totalling £984,000 which are included in Note 9. Debtors.

¹For the purposes of this disclosure gross carrying amount of financial assets measured at amortised cost represents the amortised cost before ECL allowance and gross carrying amount of financial assets measured at FVOCI represents amortised cost before fair value adjustments and ECL allowance.

Collateral and credit enhancements held

Cash collateral on securities borrowed and reverse repurchase agreements

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

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

The fair value of non-cash collateral held not recognised on the balance sheet as at 31 March 2021 is £78,295,000 (2020: £76,316,000). 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 (2020: £nil). The value attributed to collateral held is judgmental and is general subject to valuation movements. Macquarie may also incur additional selling costs when a defaulted position is closed out.

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

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2021 Note 28. Financial risk management (continued)

28.1 Credit risk (continued)

Ageing analysis of assets past due but not individually impaired

As at 31 March 2021	Past due but not individually impaired				Default	Total
	Less than 30 days	31 to 60 days	61 to 90 days	More than 90 days		
Class of Financial Asset	£'000	£'000	£'000	£'000	£'000	£'000
Fees and other receivables						
Other	-	-	397	795	-	1,192
Total	-	-	397	795	-	1,192

As at 31 March 2020	Past due but not individually impaired				Default	Total
	Less than 30 days	31 to 60 days	61 to 90 days	More than 90 days		
Class of Financial Asset	£'000	£'000	£'000	£'000	£'000	£'000
Fees and other receivables						
Other	-	1,017	-	1,751	563	3,331
Total	-	1,017	-	1,751	563	3,331

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.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued)

for the financial year ended 31 March 2021

Note 28. Financial risk management (continued)

28.2 Liquidity risk

Governance and oversight

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

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 of an entity encountering difficulty in meeting obligations with financial liabilities.

Liquidity risk is managed at the entity level for the Company. The Company has a liquidity risk management framework consisting of regulatory and internal processes and controls allowing it to measure, monitor and manage liquidity risk. The framework is also designed to ensure the entity complies with the guidelines set by the regulator and meets the internal, Board-approved, liquidity risk appetite. This framework is articulated in the relevant policies and supporting documentation.

The Company is subject to regulatory liquidity standards in BIPRU 12. The Company, as an IFPRU investment firm, is a standard ILAS BIPRU firm and is required to prepare an ILAA, at least on an annual basis. The FCA, the Company's primary regulator, has provided the Company with a modification to the requirements under IFPRU 7.1.5R, through which the Company is exempt from compliance with the obligations in Part Six (liquidity requirements) of the EU CRR.

Liquidity risks are identified through on-going liquidity management and monitoring, which contribute to the development of the aforementioned liquidity risk management framework. All key liquidity risks in the Company are assessed through on-going business consultation and changes in business strategy. The Company is required to analyse each of the key sources of liquidity risks identified in BIPRU 12.5.13. These key risk drivers are then further analysed as part of the liquidity stress testing process which occurs both as part of the ILAA, as well on a monthly basis to ensure the entity's liquidity risk appetite statement is adhered to.

The liquidity risk appetite statement is an articulation of the nature and level of liquidity risk that is acceptable in the context of achieving each entities' strategic objectives. The risk appetite is supported by a series of risk tolerances which provide a quantitative measure of the acceptable level of risk.

The quantification of liquidity risks is therefore outlined in the below mentioned liquidity risk appetite metrics:

- (1) Internal Risk Appetite Scenario.
- (2) LAB Requirement.
- (3) Cash Requirement.

These risk appetite metrics are further supported by a number of liquidity risk tolerances. The metrics and tolerances are also outlined in the Escalation and Triggers Framework ('ETF') for each entity which are monitored by Group Treasury. The reporting of the metrics and tolerances are performed by Finance or/and Group Treasury.

The Company also has in place Liquidity Early Warning Indicators ('LEWIs') 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 ETFs.

Based on the conclusions of the ILAA process for the Company, compliance with the FCA Overall Liquidity Adequacy Rule ('OLAR') is determined. The ILAA is prepared by Group Treasury in conjunction with Finance, various RMG teams and business unit contacts. The second line challenge is provided by RMG Treasury Risk Management ('TRM'). The ILAA is reviewed, challenged and approved by the the Board of the Company on an annual basis and subsequently submitted to the FCA.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued)

for the financial year ended 31 March 2021

Note 28. Financial risk management (continued)

28.2 Liquidity risk (continued)

Governance and oversight (continued)

On 29 March 2016, the Company entered into a share subscription agreement with its parent, MCHPL. This agreement was amended on 30 September 2016. Per the terms of the amended agreement, MCHPL will subscribe for up to 69,700,000 shares as required by a share subscription agreement notice at a subscription price of £1 per share. On 6 November 2017, the Company further amended the agreement which increases the maximum number of shares for which the Company may issue to 110,000,000. The latest date on which the Company may issue a share subscription notice under the amended agreement was 31 March 2020. There has been no extension of the amended agreement nor has the Company entered into a new share subscription agreement.

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 at the balance sheet date. Repayments subject to notice are treated as if notice were given immediately. This does not reflect the behaviour 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	0 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
As at 31 March 2021	£'000	£'000	£'000	£'000	£'000	£'000
Due to brokers and customers	4,723	594,811	-	-	-	599,534
Amounts owed to other Macquarie						
Group undertakings	408,634	-	-	50,732	-	459,366
Lease Liabilities ¹	-	87	409	1,863	-	2,359
Other creditors ²	280	1,313	-	-	-	1,593
Total undiscounted cash flows	413,637	596,211	409	52,595	-	1,062,852

¹Represent lease liabilities classified as HFS liabilities on the balance sheet. Refer to Note 31 *Discontinued operations* for further details on the transfer.

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

	On demand	0 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
As at 31 March 2020	£'000	£'000	£'000	£'000	£'000	£'000
Due to brokers and customers	5,131	540,867	-	-	-	545,998
Amounts owed to other Macquarie						
Group undertakings	394,093	-	-	59,108	-	453,201
Lease Liabilities	-	-	-	2,594	237	2,831
Other creditors ¹	10	56	704	-	-	770
Total undiscounted cash flows	399,234	540,923	704	61,702	237	1,002,800

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

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued)

for the financial year ended 31 March 2021

Note 28. Financial risk management (continued)

28.3 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

It is recognised that all trading activities contain calculated elements of risk taking. The Company is prepared to accept such risks provided they are within agreed limits, independently and correctly identified, calculated and monitored by RMG, and reported to Senior Management on a regular basis.

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

Interest rate risk

The Company 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:

		2021	2020
	Movement in basis points	Sensitivity of profit before tax £'000	Sensitivity of profit before tax £'000
Australian Dollar	+50	(18)	(86)
Great British Pound	+50	729	474
Euro	+50	7	(29)
Swiss Franc	+50	2	37
United States Dollar	+50	11	(25)
Other currencies	+50	2	-
Australian Dollar	-50	18	86
Great British Pound	-50	(729)	(474)
Euro	-50	(7)	29
Swiss Franc	-50	(2)	(37)
United States Dollar	-50	(11)	25
Other	-50	(2)	-

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued)

for the financial year ended 31 March 2021

Note 28. Financial risk management (continued)

28.3 Market risk (continued)

Foreign currency risk

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

	2021		2020	
	Movement in exchange rates	Sensitivity of equity after tax	Movement in exchange rates	Sensitivity of equity after tax
	%	£'000	%	£'000
Australian Dollar	+10	(76)	+10	(1,739)
Euro	+10	(112)	+10	100
United States Dollar	+10	(1)	+10	(74)
Other	+10	(23)	+10	(38)
Total		(212)		(1,751)
Australian Dollar	-10	76	-10	1,739
Euro	-10	112	-10	(100)
United States Dollar	-10	1	-10	74
Other	-10	23	-10	38
Total		212		1,751

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2021

Note 29. Measurement categories of financial instruments

The following table as at 31 March 2021 contains information relating to the measurement categories of financial instruments of the Company. The descriptions 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 financial instruments are disclosed in Note 30 *Fair value of financial assets and financial liabilities*.

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

Financial Instruments				
Carried at fair value				
	FVOCI £'000	Amortised cost £'000	Non-financial instruments £'000	Total £'000
Fixed assets				
Tangible assets	-	-	15	15
Current assets				
Deferred tax assets	-	-	1,124	1,124
Debtors	-	1,163,017	2,534	1,165,551
Reverse repurchase agreements	78,751	-	-	78,751
Held for sale assets	-	-	2,264	2,264
Cash at bank and in hand	-	2,140	-	2,140
Total assets	78,751	1,165,157	5,937	1,249,845
Current liabilities				
Creditors: amounts falling due within one year	-	(1,009,759)	(5,568)	(1,015,327)
Held for sale liabilities	-	-	(2,659)	(2,659)
Total current	-	(1,009,759)	(8,227)	(1,017,986)
Creditors: amounts falling due after more than one year	-	(50,732)	-	(50,732)
Provisions for liabilities	-	-	(1,801)	(1,801)
Pension liability	-	-	(1,448)	(1,448)
Total other liabilities	-	(50,732)	(3,249)	(53,981)

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued)

for the financial year ended 31 March 2021

Note 29. Measurement categories of financial instruments (continued)

The following table summarises the categories of financial instruments under IFRS 9 as at 31 March 2020:

	Financial Instruments				
	Carried at fair value				
	FVOCI	FVTPL	Amortised cost	Non-financial instruments	Total
	£'000	£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	-	-	-	2,830	2,830
Current assets					-
Cash at bank	-	-	1,285	-	1,285
Trading assets	-	638	-	-	638
Financial investments	-	2,751	-	-	2,751
Debtors	-	-	1,114,961	1,952	1,116,913
Reverse repurchase agreements	74,380	-	-	-	74,380
Deferred tax assets	-	-	-	1,343	1,343
Total assets	74,380	3,389	1,116,246	6,125	1,200,140
Current liabilities					
Creditors: amounts falling due within one year	-	-	(940,860)	(5,626)	(946,486)
Total current liabilities		-	(940,860)	(5,626)	(946,486)
Other liabilities					
Creditors: amounts falling due after	-	-	(61,940)	(232)	(62,172)
Provisions for liabilities	-	-	-	(3,688)	(3,688)
Pension liability	-	-	-	(1,386)	(1,386)
Total other liabilities	-	-	(61,940)	(5,306)	(67,246)

Note 30. Fair values of financial assets and liabilities

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

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

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

- Level 1 – 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).

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued)

for the financial year ended 31 March 2021

Note 30. Fair values of financial assets and liabilities (continued)

The appropriate level for an instrument 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.

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 portfolio basis, using available hedging instruments.

The fair values calculated for financial instruments which are carried in the balance sheet at amortised cost (as disclosed in Note 29 *Measurement categories of financial instruments*) are for disclosure purposes only. The following methods and assumptions applied to derive these fair values can require significant judgement by management and therefore may not necessarily be comparable to other financial institutions nor may it be the price at which the asset is sold or a liability repurchased in a market based transaction:

- the fair values of liquid assets and other instruments maturing within three months are approximate to their carrying amounts. This assumption is applied to liquid assets and the short-term portion of all other financial assets and financial liabilities
- the fair values of variable rate financial instruments, including cash collateral on securities borrowed, cash collateral on securities lent, repurchase agreements approximates by their carrying amounts
- the fair values of all loan assets, term deposits and debt liabilities carried at amortised cost, is determined with reference to changes in interest rates and credit spreads
- the fair value of balances due from/to subsidiaries and other related body corporate entities is approximated by their carrying amount as the balances are generally at variable rate.

The following methods and significant assumptions have been applied in determining the fair values of financial instruments including balances with subsidiaries and other related body corporate entities measured at fair value:

- trading assets and liabilities, derivative financial instruments and other transactions undertaken for trading purposes 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, then fair values are estimated on the basis of pricing models or other recognised valuation techniques
- repurchase and 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 classified at FVTPL or 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 pricing models or other recognised valuation techniques that maximise the use of quoted prices and observable market inputs. Unrealised gains and losses on FVOCI debt financial assets, excluding impairment write-downs on debt instruments, are recorded in the FVOCI reserve in equity until the asset is sold, collected or otherwise disposed of.

Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated periodically to test that outputs reflect prices from observable current market transactions in the same instrument or other available observable market data.

To the extent possible, models use only observable market data (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 2021

Note 30. Fair values of financial 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 £2,140,000 (2020: £1,285,000) 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 financial assets measured at FVOCI, including the level within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
As at 31 March 2021	£'000	£'000	£'000	£'000
Assets				
Reverse repurchase agreements	-	78,751	-	78,751
Total assets	-	78,751	-	78,751

The following table summarises the levels of the fair value hierarchy for financial assets measured at amortized cost and FVOCI.

	Level 1	Level 2	Level 3	Total
As at 31 March 2020	£'000	£'000	£'000	£'000
Assets				
Collateral on securities borrowed and reverse repurchase agreements	-	74,380	-	74,380
Trading assets	638	-	-	638
Financial investments ¹	2,751	-	-	2,751
Total assets	3,389	74,380	-	77,769

¹The equity investment in Firstextile AG of £nil is classified as level 3 in the fair value hierarchy

Note 31. Discontinued operations

As part of the Company's Brexit strategy, on 10 December 2020, the Board of the Company approved the transfer of the business activities of the Germany, Netherlands, and France branches to Macquarie Capital France Société Anonyme. On 10 December 2020, the Board of the Company also approved the transfer of the business activities of the representative office in Spain to Macquarie Capital France Société Anonyme. As a result of the transfer the related business operations are considered as discontinued operations. The gain recognised from the transfer was £11,600,000, which is included in the other operating income in the profit and loss account.

Certain assets and liabilities, primarily comprising of ROU assets and lease liabilities associated with Macquarie Capital (Europe) Limited, Niederlassung Deutschland and Macquarie Capital (Europe) Limited, Amsterdam Branch have not been fully transferred as of 31 March 2021 and are disclosed as HFS assets and liabilities on the balance sheet.

The transfer of the Spanish representative office to Macquarie Capital France Société Anonyme was effective on 1 April 2021 and therefore, the associated assets and liabilities are also disclosed as HFS assets and liabilities on the balance sheet. Refer to Note 12 *Held for sale assets* and Note 14 *Held for sale liabilities* for details.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued)

for the financial year ended 31 March 2021

Note 32. 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 on the balance sheet, as well as amounts covered by enforceable netting arrangements that do not qualify for offsetting in the balance sheet. Enforceable netting arrangements may allow for net settlement of specified contracts with a counterparty only in the event of default or other pre-determined events, such that their potential effects on the Company's financial position in that circumstance is to settle as one arrangement. 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 28.1 *Credit risk* for information on credit risk management.

	Amounts subject to enforceable netting arrangements ¹						Amounts not subject to enforceable netting arrangements	Balance sheet total
	Subject to offsetting in balance sheet			Related amounts not offset				
	Gross amounts	Amounts offset	Net amounts presented	Cash and other financial collateral	Net amount			
As at 31 March 2021	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Amounts owed by other Macquarie Group undertakings	90,834	(77,497)	13,337	-	13,337	702,100	715,437	
Reverse repurchase agreements	78,751	-	78,751	(78,751)	-	-	78,751	
Total assets	169,585	(77,497)	92,088	(78,751)	13,337	702,100	794,188	
Amounts owed to other Macquarie Group falling due within one year	(82,990)	77,497	(5,493)	-	(5,493)	(403,141)	(408,634)	
Amounts owed to other Macquarie Group falling due after one year	-	-	-	-	-	(50,732)	(50,732)	
Total liabilities	(82,990)	77,497	(5,493)	-	(5,493)	(453,873)	(459,366)	

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

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued)

for the financial year ended 31 March 2021

Note 32. Offsetting financial assets and financial liabilities (continued)

Amounts owed from/to other Macquarie undertakings netting is governed by the standard terms and rights of set-off as per the MLA. Refer to Note 24 - *Related party information* for further details.

Amounts subject to enforceable netting arrangements ¹							
	Subject to offsetting in balance sheet			Related amounts not offset		Amounts not subject to enforceable netting arrangements	Balance sheet total
	Gross amounts	Amounts offset	Net amounts presented	Cash and other financial collateral	Net amount		
As at 31 March 2020	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash collateral on securities borrowed	2,494	-	2,494	(2,494)	-	-	2,494
Amounts owed by other Macquarie Group undertakings	124,508	(109,230)	15,278	-	15,278	668,586	683,864
Reverse repurchase agreements	74,380	-	74,380	(74,380)	-	-	74,380
Total assets	201,382	(109,230)	92,152	(76,874)	15,278	668,586	760,738
Amounts owed to other Macquarie Group falling due within one year	(110,761)	109,197	(1,564)	-	(1,564)	(392,529)	(394,093)
Amounts owed to other Macquarie Group falling due after one year	(33)	33	-	-	-	(59,108)	(59,108)
Total liabilities	(110,794)	109,230	(1,564)	-	(1,564)	(451,637)	(453,201)

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

Offsetting on balance sheet

Amounts are offset in accordance with the criteria described in Note 3(iv) - *Financial instruments* and are limited to the gross carrying values of the financial instruments. Therefore, when an asset is offset by a liability and the asset carrying value exceeds the liability carrying value, then the net amount presented for the asset will be the difference, and for the liability will be nil.

Amounts covered by enforceable netting arrangements

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

'Other recognised financial instruments' discloses other financial instruments recognised on the balance sheet and 'Cash and other financial collateral' discloses amounts received or pledged in relation to the gross amounts of assets and liabilities. Both are subject to enforceable netting arrangements but are not offset due to the rights of set off applying only upon default or other predetermined events. This excludes non-financial instrument collateral.

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

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued)

for the financial year ended 31 March 2021

Note 33. 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.

Assets received as security

The Company receives equity instruments from other companies in the Macquarie Group in stock borrowing arrangements. These transactions are governed by standard industry agreements. The Company posts cash collateral in connection with these transactions. The net collateral posted of £nil (2020: £2,494,000) is recognised in 'cash collateral on securities borrowed' within Debtors (Note 9).

The Company is permitted to sell or re-pledge certain equity instruments received in these arrangements. The fair value of such collateral is £nil (2020: £3,948,000), of which £nil (2020: £nil) was sold or re-pledged. The Company has the obligation to return these instruments.

Reverse repurchase agreements

The Company enters into reverse repurchase transactions, where the Company purchases securities under an agreement to resell. The fair value of the securities received is £78,295,000 (2020: £76,316,000). The collateral posted of £78,751,000 (2020: £74,380,000) is recognised in 'reverse repurchase agreements' within Debtors (Note 9).

Note 34. Ultimate parent undertaking

At 31 March 2021, the immediate parent undertaking of the Company is Macquarie Corporate Holdings Pty Limited (UK Branch).

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

Note 35. Pillar 3 disclosure

For the purposes of the Financial Conduct Authority Pillar 3 disclosure requirements, the Company has made available the necessary documents which are unaudited and do not form part of this report on its UK website.

This can be found at: <http://www.macquarie.com/uk/about/investors/regulatory-disclosures>.

Note 36. Events after the reporting period

On 10 December 2020, as a result of Brexit, the Board of the Company provided approval for the transfer of the Spanish representative office assets, with the transfer being effective on 1 April 2021. Refer to Note 31 *Discontinued operations* for details.

As a result of the transfer of certain assets and underlying business activities to MCF, the Company's French, Spanish (representative office) and the Netherlands branches will dissolve, and their employees will transfer to the respective branches of MCF. The Irish branch will remain open to conduct unregulated activities. Timing of the dissolution of the German branch remains under discussion.

There were no material events subsequent to 31 March 2021 other than the event outlined above 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 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Strategic Report, Directors' Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 March 2021; 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 2021 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 the 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, particularly in relation to the timing of derecognition of assets and liabilities following the disposal of an investment, including the measurement of the associated gain or loss; 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

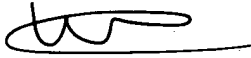
Companies Act 2006 exception reporting

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.



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

22 July 2021

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 2021

Region	Activity	Turnover	Profit/(loss) before taxation	Corporation tax paid	Average FTE employees number
		£'000	£'000	£'000	
Germany	Corporate advisory services	9,406	10,245	(3,690)	-
Ireland	Corporate advisory services	-	(472)	(1)	2
Netherlands	Corporate advisory services	48	(2,814)	(1,553)	8
France	Corporate advisory services	650	(4,523)	-	9
Switzerland	Institutional stockbroking	-	105	(112)	2
Spain	Corporate advisory services	284	(2,877)	-	5
UK	Corporate advisory services, institutional stockbroking, market making	107,757	(5,108)	-	-
Total		118,145	(5,444)	(5,356)	26

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, profit/loss, corporation cash tax paid and number of employees, allocated by country on the basis of the Company's tax domicile.

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

The entity did not receive any public subsidies.

Independent auditors' report to the 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 2021 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 2021 in the Country-by-Country reporting disclosure.

Basis for opinion

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

Independence

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

Emphasis of matter - Basis of preparation

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

Conclusions relating to going concern

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

22 July 2021