

**Macquarie Infrastructure and Real Assets (Europe)  
Limited**

COMPANY NUMBER 03976881

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



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



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## Macquarie Infrastructure and Real Assets (Europe) Limited

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## Macquarie Infrastructure and Real Assets (Europe) Limited

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### Strategic Report for the financial year ended 31 March 2021

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

#### Principal activities

The Company is regulated by the Financial Conduct Authority ("FCA") and also holds an Alternative Investment Fund Managers Directive ("AIFMD") licence. The principal activity of the Company is to undertake investment management and advisory activities.

The Company acts as a liquidating trustee for Macquarie European Infrastructure Fund LP ("WEIF 1"). The Company acts as a discretionary investment manager of Macquarie European Infrastructure Fund II ("WEIF 2"), Macquarie European Infrastructure Fund III ("WEIF 3"), Macquarie European Infrastructure Fund 4 LP ("WEIF 4"), Macquarie European Infrastructure Fund 5 ("WEIF 5") (which comprises Macquarie European Infrastructure Fund 5 LP and Macquarie European Infrastructure Fund 5 SCSP) and Macquarie European Infrastructure Fund 6 SCSP ("WEIF 6"), each of which own a portfolio of infrastructure investments. The Company acts as a discretionary portfolio manager of Macquarie Super Core Infrastructure Fund SCSP ("WSCIF"). The Company is the manager for various feeder entities. The Company also advises MIF Holdings Limited ("MIF"), MIRA UK Gas Holdings LP ("MIRA UK Gas"), Macquarie Infrastructure Partners IV SCSP ("MIP IV"), and Lombard Odier Macquarie Infrastructure Fund LP ("LMIF"), Macquarie Asia Investment Fund EU Feeder LP ("MAIF") and Macquarie Asia Infrastructure Fund II SCSP ("MAIF 2").

The Company also acts as a liquidating trustee of Macquarie Russia & CIS Infrastructure Fund ("MRIF"), a fund mandated to invest in infrastructure projects in Russia and other Commonwealth of Independent States.

The Company has technical and advisory service agreements with managed-fund portfolio companies, other Macquarie Group undertakings and third parties.

The Company has full direct ownership of Macquarie Korea Asset Management ("MKAM"), an entity engaged in a business of providing services for Social Overhead Capital ("SOC") and infrastructure projects and in the business of managing funds or companies whose main business is to invest in diversified portfolios of SOC and infrastructure projects in Korea and assets thereof.

The Company operates a French branch that performs investment management activity that requires a local presence, a Spanish representative office that has been established to facilitate a local presence for the sourcing of transactions and monitoring of investments in the region and a branch in the Czech Republic.

#### Review of operations

The profit for the financial year ended 31 March 2021 was £36,371,773, a decrease of 54 per cent from profit of £79,154,399 in the previous financial year.

Operating profit for the financial year ended 31 March 2021 was £43,186,118, a decrease of 55 per cent from operating profit of £96,826,818 in the previous financial year. Refer to the income statement for further information.

Total administrative expenses for the financial year ended 31 March 2021 were £156,723,745, an increase of 7 per cent from £146,414,986 in the previous financial year.

As of 31 March 2021, the Company had net assets of £214,597,295 (2020: £178,459,665).

The French branch contributed a profit of £316,719 (2020: profit of £410,088) and the Czech branch contributed a profit of £183,083 (2020: £122,514) to the overall profit on ordinary activities before taxation of £43,055,138 (2020: profit of £95,228,117).

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# Macquarie Infrastructure and Real Assets (Europe) Limited

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## Strategic Report

for the financial year ended 31 March 2021 (continued)

### Review of operations (continued)

The Company has satisfied its externally imposed capital requirements throughout the year.

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 to. 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. There are currently no plans to substantially change the nature of the business going forward.

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

- 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 the withdrawal of the United Kingdom ("UK") from the European Union ("EU") (known as "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 a new Alternative Investment Fund Manager ("AIFM") based in Luxembourg, and two of the existing funds managed by the Company were transferred to the Luxembourg AIFM. Other existing funds will continue to be managed by the Company. Depending on circumstances and the regulatory environment, new funds will be managed by either the Luxembourg AIFM or the Company.

The continued impact and uncertainty surrounding Novel Coronavirus (COVID-19) pandemic was monitored during the year for the Company by RMG. There was no significant financial impact, and the Company has continued to operate effectively throughout the pandemic.

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

### 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, operational risk, regulatory and compliance risk, and exposure to the performance of its subsidiary. Responsibility for management of these risks lies with the individual businesses giving rise to them. It is the responsibility of the RMG to ensure appropriate assessment and management of these risks.

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# Macquarie Infrastructure and Real Assets (Europe) Limited

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## Strategic Report

for the financial year ended 31 March 2021 (continued)

### Financial risk management (continued)

As ultimately 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 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.

#### Credit risk

Credit risk is the risk that a counterparty will fail to complete its contractual obligations when they fall due. Credit exposures, approvals and limits are controlled with the Macquarie Group's credit framework, as established by RMG.

#### Liquidity risk

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

#### Interest rate risk

The Company has both interest-bearing assets and interest-bearing liabilities. Interest bearing assets include cash balances and receivables from other Macquarie Group undertakings and external parties, all of which earn a variable rate of interest. Interest bearing liabilities include payables to other Macquarie Group undertakings, 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 group wide process of minimising exposure at an individual Company level.

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## Macquarie Infrastructure and Real Assets (Europe) Limited

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### Strategic Report

for the financial year ended 31 March 2021 (continued)

#### Section 172 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 s 172.(1)(a-f) of the Companies Act 2006 in their decision making.

Consideration of these factors and other relevant matters, including in particular the Company's regulatory environment as an Alternative Investment Fund Manager ("AIFM"), 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 Section 172 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 Director's report.

#### 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,

**Leigh Harrison**

Directors name

 26/07/2021

Signature and date

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# Macquarie Infrastructure and Real Assets (Europe) Limited

## Company Number 03976881

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### Directors' Report

#### for the financial year ended 31 March 2021

In accordance with a resolution of the Directors of Macquarie Infrastructure and Real Assets (Europe) Limited, the Directors submit herewith the audited financial statements of the Company and report as follows:

#### Directors and Secretaries

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

J Dyckhoff  
L Harrison  
P Hogan  
A Lygoe

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

H Everitt	(resigned on 25 November 2020)
D Shoemark	(appointed on 25 November 2020)
D Tan	

#### Results

The profit for the financial year ended 31 March 2021 was £36,371,773 (2020: £79,154,399).

#### Dividends

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

#### State of affairs

As well as operating in the United Kingdom, the Company continues to operate a branch in France and the Czech Republic, as well as representative office in Spain.

The representative offices of the Company in Dubai and Germany were closed on 3 May 2020 and 31 December 2020 respectively.

On 25 August 2020, the Company's ownership structure changed as part of an intra-group re-organisation. As a result, the Company's direct parent has changed from Macquarie Group Holdings (UK) No.2 Limited ("MGHUK2") to Macquarie Asset Management UK Holdings No.1 Limited ("MAMUKH1").

On 8 September 2020, a return of capital in the amount of £8,823,365 was received from Macquarie Korea Opportunities Fund No.3 ("MKOF3").

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

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## **Macquarie Infrastructure and Real Assets (Europe) Limited**

### **Company Number 03976881**

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#### **Directors' Report**

**for the financial year ended 31 March 2021 (continued)**

#### **Events after the reporting year**

On 28 June 2021, a dividend in the amount of £12,244,862 was received from the Company's subsidiary, MKAM.

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.

#### **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 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, the Company's ultimate parent 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.

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



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# Macquarie Infrastructure and Real Assets (Europe) Limited

## Company Number 03976881

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### Directors' Report

for the financial year ended 31 March 2021 (continued)

#### Indemnification and insurance of Directors

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

#### Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Strategic Report, Directors' Report and 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 the financial statements, the Directors are required to:

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

The Directors are 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.

The following sets out the requirements of section 172(1) and notes how the Directors have discharged their duties. In doing so, they have had regard to matters including those in respect of the Company's stakeholders, who are principally group shareholders, employees, regulators, internal and external customers.

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## Macquarie Infrastructure and Real Assets (Europe) Limited

### Company Number 03976881

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#### Directors' Report

for the financial year ended 31 March 2021 (continued)

#### Statement of Directors' responsibilities (continued)

##### (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 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 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 Macquarie's risk management framework, which is embedded across all Macquarie's operations. Macquarie'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 monthly (and additionally as required) with documentation circulated in advance to allow them to fully understand the performance and position of the Company, along with the matters that are to be discussed. Supporting each approval request, the Directors are given documentation which includes diligence on financial impacts, as well as non-financial factors and, as part of their deliberations, the Directors consider how the decision is in the best interests of the Company having due regard to the interests of the Shareholder and relevant stakeholders.

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:

- Brexit plans, including the transfer of business to Macquarie Asset Management Europe Sarl
- 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;
- Recovery Plan
- MIRAEL Strategy
- Monthly Quarterly review of business reports, finance and risk, and quarterly 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 employees employed by the Macquarie Group via a range of internal shared services agreements.

The Company involves and informs the workforce on matters that could affect them. Where a Board decision is likely to impact the workforce, these considerations are reflected in the supporting documentation and relevant subject matter experts present to the Board in relation thereto, for example, our Human Resources team. The Company's policies align with the Macquarie Group's workforce policies, including Macquarie'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.

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## **Macquarie Infrastructure and Real Assets (Europe) Limited**

### **Company Number 03976881**

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#### **Directors' Report**

**for the financial year ended 31 March 2021 (continued)**

#### **Statement of Directors' responsibilities (continued)**

##### **(b) Interests of the Company's employees (continued)**

Management engaged with employees throughout the year via various methods including executive communications, and an employee survey. Macquarie's Integrity Office provides an internally independent and confidential point of contact for Macquarie's workforce and external parties to safely raise concerns about improper conduct. It is responsible for implementing the Whistleblower Policy and for managing the investigation of concerns raised under this policy, including any raised through the Macquarie Staff Hotline. The Integrity Office also promotes high ethical standards and good decision making through communications and engagement with the workforce. The Integrity Office provides regular reports to the Board.

##### **(c) Business relationships with suppliers, customers and others**

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

In the context of suppliers, Macquarie 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 has put in place '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.

With respect to customers, the Company has both internal (Macquarie) and external customers. Along with the publicly available regulatory disclosures on the Macquarie website, 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 an AIFM, the Company has regulatory responsibilities with regards to clients. Through implementing an extensive policy and procedure framework the Company seeks to meet all applicable requirements with regard to our customers. 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 changed environment so that they can continue to operate.

As an AIFM, the Company is regulated by the Financial Conduct Authority ("FCA"). The Board is committed to conducting business in accordance with applicable laws and regulations and in a manner that is consistent with Macquarie's Code of Conduct and the principles set out in "What We Stand For". The Board also recognises it is imperative that Macquarie fosters and maintains strong, positive relationships with our regulators and that all communications with regulators are timely, accurate and complete. 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 Principal 11 of the FCA Handbook which requires a firm to deal with its regulators in an open and cooperative way, disclosing appropriately anything relating to the Company of which that regulator would reasonably expect notice.

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## **Macquarie Infrastructure and Real Assets (Europe) Limited**

### **Company Number 03976881**

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#### **Directors' Report**

**for the financial year ended 31 March 2021 (continued)**

#### **Statement of Directors' responsibilities (continued)**

##### **(d) Community and the environment**

Assessing and managing Macquarie Group wide Environmental, Social and Governance ("ESG") risks is a key business priority and an important component of our broader risk management framework, to which the Company is subject.

The Board recognises the importance of sound ESG practices as part of their responsibility to our clients, shareholders, communities, people and the environment in which Macquarie operates. Macquarie's ESG approach is structured around focus areas considered to be material to our business.

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. We regularly engage with a broad range of stakeholders including clients, shareholders, investors, analysts, governments, regulators, staff, suppliers and the wider community.

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

Macquarie Infrastructure and Real Assets ("MIRA") has dedicated Risk and Sustainability teams which are responsible for setting and implementing the ESG incorporation strategy and framework.

- The MIRA Risk team assists the business and Directors to ensure all operational risks, including ESG risks, are identified and managed. Reporting to the Macquarie Asset Management ("MAM") Chief Risk Officer, the team is independent of MIRA's portfolio management functions and is supported by specialist expertise within MIRA, including the MIRA Sustainability team, and RMG.
- The MIRA Sustainability team is responsible for setting MIRA's overall sustainability strategy and ESG framework, providing specialist expertise on environmental and certain social issues, and supporting asset management teams in harnessing ESG opportunities across the portfolio.

Where ESG issues are relevant to a proposal being brought to the Board, these matters are specifically addressed in the supporting paperwork and typically a member of the Risk or Sustainability team would be in attendance at the Board meeting considering that matter.

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.

##### **(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.

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## Macquarie Infrastructure and Real Assets (Europe) Limited

### Company Number 03976881

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#### Directors' Report

for the financial year ended 31 March 2021 (continued)

#### Statement of Directors' responsibilities (continued)

##### (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

For the year ending 31 March 2021, the Company is not required to disclose the Streamlined Energy and Carbon Reporting ("SECR") as it does not meet the thresholds.

##### 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.

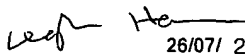
##### Independent auditors

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,

Leigh Harrison

Directors name

 26/07/ 2021

Signature and date

## Macquarie Infrastructure and Real Assets (Europe) Limited

### Financial Statements

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

	Note	2021 £	2020 £
Turnover	4	199,438,923	244,116,789
Administrative expenses	4	(156,723,745)	(146,414,986)
Other operating income/(expenses)	4	470,940	(874,985)
<b>Operating profit</b>		<b>43,186,118</b>	<b>96,826,818</b>
Interest receivable and similar income	4	395,987	5,093,483
Interest payable and similar charges	4	(526,967)	(6,692,184)
<b>Profit on ordinary activities before taxation</b>		<b>43,055,138</b>	<b>95,228,117</b>
Tax on profit on ordinary activities	5	(6,683,365)	(16,073,718)
<b>Profit for the financial year</b>		<b>36,371,773</b>	<b>79,154,399</b>

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

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

## Macquarie Infrastructure and Real Assets (Europe) Limited

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

	Note	2021 £	2020 £
Profit for the financial year		36,371,773	79,154,399
Other comprehensive (loss)/income			
Movements in items that may be subsequently reclassified to the profit and loss account:			
Foreign exchange movements on translation and hedge accounting of foreign operations, net of tax	16	(328,915)	139,405
<b>Total other comprehensive (loss)/income</b>		<b>(328,915)</b>	<b>139,405</b>
<b>Total comprehensive income</b>		<b>36,042,858</b>	<b>79,293,804</b>
Total comprehensive income for the financial year that are attributable to ordinary equity holders of the Company		36,042,858	79,293,804

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

## Macquarie Infrastructure and Real Assets (Europe) Limited

### Company Number 03976881

#### Balance sheet as at 31 March 2021

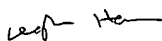
	Note	2021 £	2020 £
<b>Fixed assets</b>			
Tangible assets and right-of-use assets	6	916,847	624,335
Investments	7	43,395,497	53,233,581
		<b>44,312,344</b>	<b>53,857,916</b>
<b>Current assets</b>			
Debtors	10	187,933,286	153,120,613
Cash at bank	11	773,063	709,636
Deferred tax assets	13	935,490	-
Derivative assets	22	499,184	239,259
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	12	(11,404,978)	(21,104,282)
Derivative liabilities	22	(3,029,618)	(3,933,145)
Deferred tax liabilities	13	-	(122,703)
<b>Net current assets</b>		<b>175,706,427</b>	<b>128,909,378</b>
<b>Total assets less current liabilities</b>		<b>220,018,771</b>	<b>182,767,294</b>
<b>Provisions for liabilities</b>	14	<b>(4,670,838)</b>	<b>(3,942,955)</b>
<b>Lease liabilities</b>		<b>(750,638)</b>	<b>(364,674)</b>
<b>Net assets</b>		<b>214,597,295</b>	<b>178,459,665</b>
<b>Shareholders' funds</b>			
Called up share capital	15	42,700,000	42,700,000
Equity contribution from ultimate parent	15	168,659	73,887
Reserves	16	241,034	569,949
Profit and loss account	16	171,487,602	135,115,829
<b>Total shareholders' funds</b>		<b>214,597,295</b>	<b>178,459,665</b>

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 13 to 43 were authorised for issue by the Board of Directors on 26/7/ 2021 and were signed on its behalf by:

**Leigh Harrison**

Directors name

 26/07/2021  
Signature and date



## Macquarie Infrastructure and Real Assets (Europe) Limited

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

	Note	Called up share capital £	Equity contribution from ultimate parent £	Reserves £	Profit and loss account £	Total shareholders' funds £
<b>Balance at 1 April 2019</b>		<b>42,700,000</b>	<b>87,849</b>	<b>430,544</b>	<b>55,961,430</b>	<b>99,179,823</b>
Profit for the financial year	16	-	-	-	79,154,399	79,154,399
Other comprehensive income, net of tax	16	-	-	139,405	-	139,405
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>139,405</b>	<b>79,154,399</b>	<b>79,293,804</b>
Transactions with equity holders in their capacity as ordinary equity holders:						
Contribution from ultimate parent entity in relation to share-based payments	15	-	(13,962)	-	-	(13,962)
<b>Balance at 31 March 2020</b>		<b>42,700,000</b>	<b>73,887</b>	<b>569,949</b>	<b>135,115,829</b>	<b>178,459,665</b>
Profit for the financial year	16	-	-	-	36,371,773	36,371,773
Other comprehensive loss, net of tax	16	-	-	(328,915)	-	(328,915)
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>(328,915)</b>	<b>36,371,773</b>	<b>36,042,858</b>
Transactions with equity holders in their capacity as ordinary equity holders:						
Contribution from ultimate parent entity in relation to share-based payments	15	-	94,772	-	-	94,772
<b>Balance at 31 March 2021</b>		<b>42,700,000</b>	<b>168,659</b>	<b>241,034</b>	<b>171,487,602</b>	<b>214,597,295</b>

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.

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# Macquarie Infrastructure and Real Assets (Europe) Limited

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## 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 investment management and advisory activities.

### 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 and do not contain consolidated financial information as a parent of a group. The Company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in full consolidation in the consolidated financial statements of its ultimate parent MGL, a company incorporated in Australia.

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 financial instruments (including derivatives) required to be measured at fair value through profit or loss ("FVTPL").

#### 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 EU-adopted International Financial Reporting Standards ("IFRS").

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# Macquarie Infrastructure and Real Assets (Europe) Limited

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

### Note 2. Basis of preparation (continued)

#### iii) Disclosure exemptions (continued)

In accordance with FRS 101, the Company has availed of an exemption from the following paragraphs of IFRS:

- 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 IFRS 7 'Financial Instruments: Disclosures'.
- The requirements of paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- The requirements of paragraphs 38 of International Accounting Standards ("IAS") 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - Paragraph 79(a)(iv) of IAS 1 (reconciliation of shares outstanding).
  - Paragraph 73(e) of IAS 16 'Property, Plant and Equipment'.
- The requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 40A to 40D, 111 and 134 to 136 of IAS 1 'Presentation of Financial Statements' (additional comparatives and capital management disclosures).
- 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 to disclose related party transactions entered into between two or more members of a group where both parties to the transaction are wholly owned within the group.
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 'Impairment of Assets'.
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

#### 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:

- determining the appropriate business model for a group of financial assets and assessing whether the cash flows generated by an asset constitute solely payment of principal and interest ("SPPI") (Note 3(iv))
- fair value of financial assets and financial liabilities (Notes 9 and 22)
- determination of significant influence over associates
- the timing and amount of impairment of financial assets, liabilities and investment in subsidiary (Notes 3(xiii), 8 and 9)
- recoverability of deferred tax assets and measurement of current and deferred tax liabilities (Note 13); and
- the choice of inputs, estimates and assumptions used in the measurement of Expected Credit Loss ("ECL") including forecasts of economic conditions and determination of significant increase in credit risk ("SICR") (Note 3(xii)).

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.

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# Macquarie Infrastructure and Real Assets (Europe) Limited

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## Notes to the financial statements 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 and the assessment of the impairment of non-financial assets (Note 6) 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 balance sheet and further disclosures

Key balance sheet items and related disclosures that have been impacted by COVID-19 were as follows:

#### Loans and receivables

In response to COVID-19 the Company undertook a review of wholesale and retail credit portfolios, loan to other Macquarie entities and other financial asset exposures and the ECL for each. The review considered the macroeconomic outlook, customer credit quality, the type of collateral held, exposure at default, and the effect of payment deferral options as at the reporting date. The ECL methodology, SICR thresholds, and definition of default remained consistent with prior periods. The impact of COVID-19 on the credit risk management disclosures, notably in relation to credit quality and collateral and other credit enhancements was also considered.

#### Tangible assets and right-of-use assets

Given the impact of COVID-19, the Company's tangible assets and right-of-use assets were subject to impairment testing which concluded that no material impairment was required.

#### Interest in associates and investments in subsidiaries

When it has been assessed that there is an indicator of impairment the Company tests the carrying amount of each of its investments for impairment, by comparing the investment's recoverable amount with the carrying value. Refer to Notes 8 and 9.

#### 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.

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# Macquarie Infrastructure and Real Assets (Europe) Limited

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

### 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 the Company 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/expenses.

##### *Subsidiaries and other entities*

The Company has a branch in France and the Czech Republic. The results and financial position of the Company's branches that have a functional currency other than Pounds Sterling are translated into Pounds Sterling as follows:

- assets and liabilities included in the 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 or average exchange rates at the dates of the transactions.
- all resulting exchange differences are recognised in OCI within a separate component of reserves, 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

##### *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:

Base and other asset management fees and performance fees - The Company earns base and other asset management and performance fees for providing asset management services for listed and unlisted funds, managed accounts and co-investments arrangements. It has been determined that the provision of asset management services is typically a single performance obligation.

Base management fees are recognised over the life of the contract as the asset management services are provided. Any associated performance fees are deemed to be a variable component of the same asset management service and are recognised only when it is highly probable that the performance hurdles are met, and a significant reversal of cumulative fees recognised to date will not occur.

Determining the amount and timing of performance fees to be recognised involves judgement, the use of estimates (including management estimates of underlying asset values) and consideration of a number of criteria relating to both, the fund in which the asset(s) are held, as well as the underlying asset(s), such as:

- the extent to which performance fees liabilities have been accrued by funds to date or consideration of the current valuation case of the assets in relation to the fund's hurdle rate
- the proportion of assets realised and returns on those assets
- nature of remaining underlying fund or managed account's assets and potential downside valuation risks on each
- time remaining until realisation of the assets and the fund's life or asset management services' timeline
- consideration of the ability to dispose of the asset, including of any barriers to divest.

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# Macquarie Infrastructure and Real Assets (Europe) Limited

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

### Note 3. Significant accounting policies

#### ii) Revenue and expense recognition (continued)

Fee income earned by the Company from other Macquarie group entities in relation to services rendered to set up new funds is recognised by the time the investment fund manager is appointed and begins earning management fees. At this time a service fee consisting of life to date costs plus a margin will be recognised by the Company.

#### *Other operating income/(expenses)*

Other operating income/(expenses) comprises gains and losses relating to foreign exchange differences, investment income, credit impairment charges on financial instruments, all realised and unrealised fair value changes on derivatives which are recognised in the profit and loss account, gains and losses arising from subsequent changes in fair values of equity investment securities at fair value through profit or loss, and other income.

#### *Dividends*

Dividends or distributions are recognised when the right to receive a dividend or distribution is established, it is probable the economic benefits associated with the dividend will flow to the Company and the dividend can be measured reliably.

Judgement is applied in determining whether distributions from subsidiaries, associates and joint ventures are to be recognised as dividend income or as a return of capital. Distributions that represent a return of capital are accounted for by the Company as a reduction to the cost of its investment and are otherwise recognised by the Company within dividend income as part of other operating income and charges when the recognition criteria are met.

#### *Expenses*

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

#### *Fee share from/shared with related entities*

Fee shared with related entities is recognised as per the agreed fee sharing arrangement.

#### *Fee expenses*

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

#### *Interest income/expense*

Interest income and interest expense are recognised using the effective interest rate method ("EIR") for loan assets and other financial assets and liabilities carried at amortised cost. The EIR method calculates the amortised cost of a financial instrument at a rate that discounts estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or liability.

#### *Discontinued operations*

Discontinued operations are reported on the income statement separately from continuing operations. The Company's representative offices in Germany and Dubai that were closed during the financial year did not contribute to turnover and had an immaterial impact on profit, as such they are not disclosed as discontinued operations.

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# Macquarie Infrastructure and Real Assets (Europe) Limited

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

### Note 3. Significant accounting policies

#### iii) Taxation

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

Deferred tax assets are recognised when temporary differences arise between the tax 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 as a part of other operating expenses in the profit and loss account. Where VAT is recoverable from or payable to tax authorities, the amount is recorded as a separate asset or liability in the balance sheet.

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# Macquarie Infrastructure and Real Assets (Europe) Limited

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

### Note 3. Significant accounting policies

#### 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.

##### *De-recognition of financial instruments*

###### **Financial assets**

Financial assets are de-recognised 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.

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.

##### *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 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.



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# Macquarie Infrastructure and Real Assets (Europe) Limited

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

### Note 3. Significant accounting policies

#### iv) Financial instruments (continued)

##### 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; and
- (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 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 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), or
- financial assets that fail the SPPI test (FVTPL).

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.

##### 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.

##### Offsetting of financial instruments

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

#### v) Derivative instruments and hedging activities

Derivative instruments entered into by the Company include foreign currency forwards. These derivative instruments are principally used by the Company for the purposes of risk management of existing financial and non-financial assets and liabilities.

Derivatives are recognised in the balance sheet as an asset where they have a positive fair value at the reporting date or as a liability where they have a negative fair value at the reporting date.

Derivatives that may have both positive or negative values must meet both the asset and liability derecognition tests before it is derecognized from the balance sheet.

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

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# Macquarie Infrastructure and Real Assets (Europe) Limited

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

### Note 3. Significant accounting policies

#### vi) Hedge accounting

As part of its ongoing business, the Company is exposed to several financial risks, principally that of foreign exchange rates (referred to as the hedged risk or exposure). The Company has limited appetite for such risks and has policies and practices in place to ensure that these risks are effectively managed. The Company mitigates these risks through the use of derivative financial instruments and, in the case of foreign currency risk, foreign-denominated debt issued (collectively referred to as hedging instruments). The company applies hedge accounting to manage accounting mismatches arising from the difference in measurement bases or location of the gains and losses recognised between the exposure that is being hedged and the hedging instrument.

In order to account for the differences, the Company applies hedge accounting as below:

#### *Fair value hedge*

- Nature of hedge: The hedge of the fair value risk on the non-functional currency investments by the Company due to changes in foreign currency rates.
- Hedged risk: Foreign exchange risk (spot)
- Hedged item: Foreign currency denominated investment
- Hedging instrument: foreign exchange forward contracts and foreign currency denominated issued debt
- Designation and documentation: At inception of the hedge relationship, documentation is required of the Company's risk management objective and strategy for the hedge, hedging instrument, hedged item, hedged risk and how the hedge relationship will meet the hedge effectiveness requirements.
- Hedge effectiveness method: All hedge relationships are required to be assessed for hedge ineffectiveness both at the inception and throughout the hedge relationship by demonstrating that:
  - an economic relationship exists between the hedged item and the hedging instrument;
  - credit risk does not dominate the changes in value of either the hedged item or the hedging instrument; and
  - the hedge ratio is reflective of the Company's risk management approach.The hedge effectiveness assessment is performed by a combination of qualitative and, where applicable, quantitative assessments. Changes in the hedge ratio, or rebalancing, may be required to adjust the hedged item or the hedging instrument.
- Accounting treatment for the hedging instrument: Fair value through the profit and loss account.
- Accounting treatment for the hedged item: Carrying value adjusted for changes in fair value attributable to the hedged risk.
- Accounting treatment for hedge ineffectiveness: Recognised in the profit and loss account to the extent that changes in fair value of the hedged item attributable to the hedged risk are not offset by changes in fair value of the hedging instrument.
- Accounting treatment if the hedge relationship is discontinued: Where the hedged item still exists, adjustments to the hedged item are amortised to the profit and loss account on an effective interest rate basis.

#### vii) Cash at bank

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.

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# Macquarie Infrastructure and Real Assets (Europe) Limited

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

### Note 3. Significant accounting policies

#### viii) Investments

##### *Investment in subsidiaries*

Subsidiaries are all those entities (including structured entities) over which the Company has the power to direct the relevant activities of the entity, exposure, or rights, to significant variable returns and the ability to utilise power to affect the Company's own returns.

The determination of control is based on current facts and circumstances and is continuously assessed. The Company has power over an entity when it has existing substantive rights that provide it with the current ability to direct the entity's relevant activities, being those activities that significantly affect the entity's returns. The Company also considers the entity's purpose and design. If the Company determines that it has power over an entity, the Company then evaluates its exposure, or rights, to variable returns by considering the magnitude and variability associated with its economic interests.

All variable returns are considered in making that assessment including, but not limited to, returns from debt or equity investments, guarantees, liquidity arrangements, variable fees and certain derivative contracts.

Subsidiaries held by the Company are carried in its financial statements at cost less impairment in accordance with IAS 27 Separate Financial Statements.

##### *Interest in associates*

Associates are entities, over which the Company has significant influence, but not control, are carried at cost in accordance with IAS 27 Separate Financial Statements.

The Company determines the dates of obtaining or losing significant influence or joint control of another entity based on an assessment of all pertinent facts and circumstances that affect the ability to significantly influence the financial and operating policies or jointly control the relevant activities of that entity. Facts and circumstances that have the most impact include the contractual arrangements agreed with the counterparty, the manner in which those arrangements are expected to operate in practice, and whether regulatory approval is required (including the nature of such approval). The acquisition or disposal date does not necessarily occur when the transaction is closed or finalised under law.

#### ix) Due to/ from related entities

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

#### x) Tangible assets & right-of-use ("ROU") assets

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

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 following bases:

- diminishing balance method for aviation assets
- unit of production method for certain infrastructure assets
- straight-line basis for all other assets.

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

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## Macquarie Infrastructure and Real Assets (Europe) Limited

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

#### Note 3. Significant accounting policies

##### x) Tangible assets & right-of-use ("ROU") assets (continued)

Annual depreciation rates are summarised below:

Tangible assets	Depreciation rates
Furniture, fittings and leasehold improvements <sup>(1)</sup>	10 to 20%
Computer and communication equipment	33 to 50%
<sup>(1)</sup> Where remaining lease terms are less than five years, leasehold improvements are depreciated over the remaining lease term.	
Right-of-use assets	Depreciation rates
Property	3-67%

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.

##### xii) Other assets and liabilities

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

The Company, as permitted by IFRS 15, 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.

##### xii) Provisions

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

##### *Employee benefit provisions*

Employee benefit provisions are recognised by the Company as and when the service has been rendered after deducting amounts already paid. Liabilities for unpaid salaries, salary-related costs and provisions for annual leave are recorded on the balance sheet at the salary rates which are expected to be paid when the liability is settled. Provisions for long service leave and other long-term benefits are recognised at the present value of expected future payments to be made.

In determining this amount, consideration is given to expected future salary levels and employee service histories. Expected future payments are discounted to their net present value using discount rates on high quality corporate bonds, except where there is no deep market in which case rates on the 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.

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# Macquarie Infrastructure and Real Assets (Europe) Limited

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

### Note 3. Significant accounting policies

#### xiii) 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. 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 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.

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.

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# Macquarie Infrastructure and Real Assets (Europe) Limited

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

### Note 3. Significant accounting policies

#### xiii) Impairment (continued)

##### Presentation of loss allowances

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

- i. 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
- ii. loan assets, loans to associates and joint ventures and debt financial investments measured at FVOCI – as a reduction in FVOCI reserve account under equity. The carrying amount of the asset is not adjusted as it is recognised at fair value.
- iii. lease receivables, contract receivable and other assets measured at amortised cost – as a deduction to the gross carrying amount;
- iv. undrawn credit commitments – 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.

##### Impairment of interests in associates

The Company performs an assessment at each reporting date to determine whether there is any objective evidence that its interests in associates are impaired. The main indicators of impairment are significant changes in the market, economic or legal environment and a significant or prolonged decline in fair value below cost.

In making this judgement, the Company evaluates, among other factors, the normal volatility in share price and the period of time for which fair value has been below cost. If there is an indication that an investment in an associate may be impaired, then the entire carrying amount of the investment in the associate or joint venture is tested for impairment by comparing the recoverable amount, being the higher of fair value less costs to sell and value in use and, with its carrying amount.

Impairment losses recognised in the profit and loss account for investments in associates are subsequently reversed through the profit and loss account if there has been a change in the estimates used to determine the recoverable amount since the impairment loss was recognised. The impairment losses (reversal of impairments) on investment in associates are recognised in the profit and loss account as part of other impairment charges/reversal.

Fair value less costs to sell is estimated using market-based approaches using revenues, earnings and assets under management and multiples based on companies deemed comparable as well as other publicly available information relevant to the business.

Value in use is calculated using pre-tax cashflow projections of operating revenue and expenses. Forecasts are extrapolated using a growth rate and discounted using a pre-tax discount rate incorporating market risk determinants, adjusted for specific risks related to the cash generating units, if any, and the environment in which it operates.

##### Impairment of investments in subsidiaries

Investments in subsidiaries in the Company's financial statements are reviewed annually for indicators of impairment or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is recognised in other impairment charges/reversal, for the amount by which the investment's carrying amount exceeds its recoverable amount, being the higher of fair value less costs to sell and value in use. At each reporting date, investments in subsidiaries that have been impaired are reviewed for possible reversal of impairment. The amount of any reversal of impairment recognised must not cause the investment's carrying value to exceed its original cost.

##### Impairment of tangible assets and right-of-use assets

Tangible assets and right-of-use assets are assessed at each reporting date for indications of impairment.

Impairment losses are recognised in other impairment charges as part of other operating income and charges for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

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# Macquarie Infrastructure and Real Assets (Europe) Limited

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

### Note 3. Significant accounting policies

#### xiv) Performance based remuneration

##### *Share-based payments*

The ultimate parent company, MGL, operates share-based compensation plans, which include awards (including those delivered through the Macquarie Group Employee Retained Equity Plan ("MEREP")) granted to employees under share acquisition plans. Information relating to these schemes is set out in Note 20 Employee equity participation. The Company accounts for its share-based payments as follows:

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

**Equity settled awards:** The awards are measured at their grant date fair value and based on the number of equity instruments expected to vest. Expenses are recognised as part of employment expenses with a corresponding increase in equity with reference to the vesting period of those awards. Performance hurdles attached to Performance Share Units ("PSUs") under the MEREP are not taken into account when determining the fair value of the PSUs at the grant date. Instead, these vesting conditions are taken into account by adjusting the number of equity instruments expected to vest. On vesting, the amount recognised in the share-based payment reserve is transferred to contributed equity. For the Company, the accounting is dependent on whether the Company is compensated for its obligations under the MEREP award. To the extent that employing subsidiaries compensate the Company for the MEREP offered to their employees, a recharge liability due to subsidiaries is recognised by the Company at grant date representing the payment received in advance of the award being settled. This liability reduces over the vesting period with a corresponding increase in the share-based payments reserve. MEREP liabilities are recognised and disclosed in Note 18 Related party information. To the extent that employing subsidiaries do not compensate the Company for the MEREP offered to their employees, the Company reflects the provision of the equity settled award as a contribution to its subsidiary and as a result increases its investment in subsidiary with a corresponding increase in the share-based payments reserve. On vesting, amounts recognised in the share-based payments reserve are transferred to contributed equity.

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

##### *Profit share remuneration*

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

#### xv) Leases

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

##### (a) Accounting where the Company is the lessee

The Company leases corporate buildings for which contracts are typically entered into for fixed periods of 12 months to 33 years and may include extension options. Leases are recognised as a ROU asset (as explained in Note 3(x) 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.

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## Macquarie Infrastructure and Real Assets (Europe) Limited

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

#### Note 3. Significant accounting policies

##### xv) Leases (continued)

###### 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, in the profit and loss account, where the carrying value of the ROU asset has been reduced to zero.

###### Presentation

The Company presents ROU assets in 'tangible assets & right-of-use assets' (refer to Note 6) and lease liabilities in the balance sheet.

##### xvi) Called up share capital

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



# Macquarie Infrastructure and Real Assets (Europe) Limited

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

	2021	2020
	£	£
<b>Note 4. Profit on ordinary activities before taxation</b>		
Profit on ordinary activities before taxation is stated after (charging)/crediting:		
<b>Turnover by category</b>		
Base management and performance fees	134,461,452	202,726,306
Service fees received from other Macquarie Group undertakings	50,004,432	21,492,387
Dividend income	14,009,612	16,304,281
Other fee income	963,427	3,593,815
<b>Total turnover</b>	<b>199,438,923</b>	<b>244,116,789</b>
<b>Administrative expenses</b>		
<b>Staff costs</b>		
Wages and salaries	(4,082,537)	(2,898,338)
Share based payment costs	(800,019)	(541,456)
Other staff costs	(589,637)	(854,525)
Other pension charge	(178,500)	(193,991)
Resource charge from Macquarie Group undertakings	(11,714,139)	(10,991,177)
Service fees paid to other Macquarie Group undertakings	(132,940,917)	(122,592,923)
Rent and occupancy costs	(222,588)	(375,498)
Depreciation charges	(476,476)	(417,631)
<b>Auditors' remuneration</b>		
Fees payable to the Company's auditors for the audit of the Company <sup>1</sup>	(137,119)	(71,207)
Fees payable to the Company's auditors and its associates for taxation compliance services	(21,000)	(32,607)
Out of pocket expenses	(1,896,927)	(3,593,816)
Other administrative expenses	(3,663,886)	(3,851,817)
<b>Total administrative expense</b>	<b>(156,723,745)</b>	<b>(146,414,986)</b>
<b>Interest</b>		
<i>Interest receivable and similar income from:</i>		
Other Macquarie Group undertakings	395,782	5,093,429
Unrelated parties	205	54
<b>Total interest receivable and similar income</b>	<b>395,987</b>	<b>5,093,483</b>
<i>Interest payable and similar charges to:</i>		
Other Macquarie Group undertakings	(519,094)	(6,686,547)
Unrelated parties	(7,873)	(5,637)
<b>Total interest payable and similar charges</b>	<b>(526,967)</b>	<b>(6,692,184)</b>
<b>Other operating income/(expense)</b>		
Credit impairment (charges)/reversals	(103,688)	22,428
Foreign exchange gains/(losses)	574,628	(822,442)
Net (loss) on equity investment	-	(74,971)
<b>Total other operating income/(expense)</b>	<b>470,940</b>	<b>(874,985)</b>

<sup>1</sup>Fees payable to the Company's auditors for current year includes £47,320 relating to previous year and £7,700 relating to the client money and assets audit.

## Macquarie Infrastructure and Real Assets (Europe) Limited

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

	2021	2020
	£	£
<b>Note 5. Tax on profit on ordinary activities</b>		
(i) Tax expense included in profit or loss		
<b>Current tax</b>		
UK corporation tax at 19% (2020: 19%)	5,804,145	15,167,300
Adjustments in respect of previous periods	50,539	15,042
Foreign tax suffered	1,998,823	1,287,170
Double tax relief	(206,685)	(286,203)
<b>Total current tax</b>	<b>7,646,822</b>	<b>16,183,309</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(1,010,248)	(93,105)
Adjustments in respect of previous periods	46,791	(39,730)
Effect of changes in tax rates	-	23,244
<b>Total deferred tax</b>	<b>(963,457)</b>	<b>(109,591)</b>
<b>Tax on profit on ordinary activities</b>	<b>6,683,365</b>	<b>16,073,718</b>

#### (ii) Reconciliation of effective tax rate

The taxation charge for the year ended 31 March 2021 is lower (2020: lower) than the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

<b>Profit on ordinary activities before taxation</b>	<b>43,055,138</b>	<b>95,228,117</b>
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	(8,180,476)	(18,093,342)
Effects of:		
Adjustment in respect of prior years	(97,330)	24,687
Non-deductible expenses	(86,787)	(37,000)
Foreign tax suffered	(1,998,823)	(1,287,170)
Deduction for foreign tax suffered	206,685	286,203
Effect of changes in tax rates	-	(23,244)
Non-assessable income	2,661,680	3,110,794
Share based payments	103,287	(54,646)
Write off of Deferred tax on Investments	708,399	-
<b>Total tax on profit on ordinary activities</b>	<b>(6,683,365)</b>	<b>(16,073,718)</b>

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 £295,418.

## Macquarie Infrastructure and Real Assets (Europe) Limited

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

#### Note 6. Tangible assets and right-of-use assets

	Cost £	Accumulated depreciation and impairment £	Carrying value £
<b>Assets for own use</b>			
Furniture, fittings and leasehold improvements	777,544	(664,705)	112,839
Computer and communication equipment	158,119	(77,054)	81,065
<b>Total assets for own use</b>	<b>935,663</b>	<b>(741,759)</b>	<b>193,904</b>
<b>Right-of-use assets</b>			
Property	1,159,600	(436,657)	722,943
<b>Total right-of-use assets</b>	<b>1,159,600</b>	<b>(436,657)</b>	<b>722,943</b>
<b>Total tangible assets &amp; right-of-use assets</b>	<b>2,095,263</b>	<b>(1,178,416)</b>	<b>916,847</b>

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

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

	Furniture, fittings and leasehold improvements £	Computer and communication equipment £	Total £
<b>Assets for own use</b>			
Balance at 1 April 2020	255,814	30,761	286,575
Acquisitions	50,694	73,577	124,271
Disposals	(138)	-	(138)
Reclassification and other adjustments	(1,023)	1,668	645
Foreign exchange movements	(1,593)	816	(777)
Depreciation (Note 4)	(190,915)	(25,757)	(216,672)
<b>Balance at 31 March 2021</b>	<b>112,839</b>	<b>81,065</b>	<b>193,904</b>

	Property £
<b>Right-of-use assets</b>	
Balance as at 1 April 2020	337,760
Acquisitions	684,030
Reclassification and other adjustments	3,363
Foreign exchange movements	(42,406)
Depreciation (Note 4)	(259,804)
<b>Balance at 31 March 2021</b>	<b>722,943</b>

	2021 £	2020 £
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#### Note 7. Investments

Interests in associates (Note 8)	9,450,832	18,543,312
Investment in subsidiaries (Note 9)	33,944,665	34,690,269
<b>Total investments</b>	<b>43,395,497</b>	<b>53,233,581</b>

# Macquarie Infrastructure and Real Assets (Europe) Limited

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

	2021 £	2020 £
<b>Note 8. Interests in associates</b>		
Equity investments with no provisions for impairment	9,450,832	18,543,312
<b>Total Interests in associates</b>	<b>9,450,832</b>	<b>18,543,312</b>

Summarised information of certain interests in material associates and joint ventures are as follows:

Name of entity	Principal activity	Ownership Interest	
		2021 %ownership	2020 %ownership
Macquarie Korea Opportunities Fund No.3 <sup>1</sup>	Private Equity Fund	3	3

<sup>1</sup>The Company holds a 3% interest in MKOF3 and accounts for it as an interest in associate on the basis of exercising significant influence through its ownership of the general partner and limited partner of this fund, MKAM. MKOF3 is a closed private equity fund. An analysis at 31 March 2021 which included an assessment of the impact of COVID-19 confirmed no impairment indicators were present.

	2021 £	2020 £
<b>Note 9. Investments in subsidiaries</b>		
Investment at cost with no provisions for impairment	33,944,665	34,690,269
<b>Total investment in subsidiary</b>	<b>33,944,665</b>	<b>34,690,269</b>

The material subsidiaries of the Company, based on contribution to the Company's profit after income tax, the size of the investment made by the Company or the nature of activities conducted by the subsidiary, are:

Name of subsidiary	Nature of business	Country of incorporation	2021 %ownership	2021 £	2020 £
Macquarie Korea Asset Management Co., Ltd. <sup>1</sup>	Fund manager	9th Floor, Hansha Building 109 Sogong-ro, Jung-gu Seoul 04525 Korea	100	33,944,665	34,690,269
<b>Total investment in subsidiary</b>				<b>33,944,665</b>	<b>34,690,269</b>

<sup>1</sup>In accordance with the Company's accounting policies, the Company reviewed its investment in subsidiaries for indicators of impairment. Where its investments had indicators of impairment, the investments' carrying value was compared to its recoverable value which was determined to be its fair value less costs to sell (valuation). The result of this assessment determined no impairment was required to be recognised during the financial year for its subsidiary, MKAM. The review of the investments for indicators of impairment and the measurement of the recoverable value considered the impact of COVID-19. The valuations have been calculated using a valuation technique whose most significant inputs include the subsidiary's maintainable earnings, growth rates and relevant earnings multiples. A range of valuations of the investments in the subsidiaries, including associated stress tests, were used that demonstrated that no impairment loss was required to be recognised by the Company during the year.

## Macquarie Infrastructure and Real Assets (Europe) Limited

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

#### Note 9. Investments in subsidiaries (continued)

Class of shares	2021 Number of shares	2020 Number of shares	2021 % held	2020 % held
Ordinary shares	2,618,483	2,618,483	100	100
Type 1 preferred shares	3,612,000	3,612,000	100	100
Type 2 preferred shares	1,201,500	1,201,500	80	80

The nominal value of each of the above classes of share is KRW 500 each.

The Directors believe that the carrying value of the investment is supported by its recoverable value.

The Company hedges movements in the fair value of the investment attributable to foreign currency fluctuations as outlined in Note 3(v) and Note 22.

	2021 £	2020 £
<b>Note 10. Debtors</b>		
Amounts owed by other Macquarie Group undertakings <sup>1</sup>	172,784,884	145,693,439
Fees and other receivables <sup>2</sup>	14,178,304	6,890,089
Prepayments	771,703	367,304
Vat recoverable	198,395	169,781
<b>Total debtors</b>	<b>187,933,286</b>	<b>153,120,613</b>

<sup>1</sup>Amounts owed by other Macquarie Group undertakings are unsecured and have no fixed date of repayment. The Company derives interest on intercompany loans to group undertakings at market rates and at 31 March 2021 the rate applied ranged between LIBOR plus .69% and LIBOR plus 3.79% (2020: between LIBOR plus .85% and LIBOR plus 2.86%).

At the reporting date, amounts owed by other Macquarie Group undertakings has ECL allowance of £175,768 (2020: £59,595) which is presented net against the gross carrying amount.

<sup>2</sup>Includes £22,817,052 (2020: £21,711,840) of base fee receivables. Fees and other receivables includes £512,957 (2020: £410,584) of contract assets in respect of out-of-pocket expenses and other accrued income. At the reporting date, fees and other receivables has an ECL allowance of £14,481,441 (2020: £14,487,320) which is presented net against the gross carrying amount. Provision for doubtful debts include Stage III ECL of £14,477,136 (2020: £14,477,136).

#### Note 11. Cash at bank

Cash at bank	773,063	709,636
<b>Total cash at bank</b>	<b>773,063</b>	<b>709,636</b>

## Macquarie Infrastructure and Real Assets (Europe) Limited

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

	2021 £	2020 £
<b>Note 12. Creditors: amounts falling due within one year</b>		
Amounts owed to other Macquarie Group undertakings <sup>1</sup>	3,163,267	8,215,809
Accruals and deferred income <sup>2</sup>	5,098,381	5,230,869
Fees payable	1,557,944	601,836
Taxation	1,585,386	7,055,768
<b>Total creditors: amounts falling due within one year</b>	<b>11,404,978</b>	<b>21,104,282</b>

<sup>1</sup>Amount due 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 1.63% (2020: LIBOR plus 1.74%).

<sup>2</sup>Includes £1,847,502 (2020: £3,827,216) of contract liabilities related to base fee income received in advance. £1,979,714 (2020: £4,436,376) of base fee income was recognised in the current year which was included under contract liability at the beginning of the year.

### Note 13. Deferred tax assets/(liabilities)

The balance comprises temporary differences attributable to:

Other assets and liabilities	848,328	498,443
Fixed assets	98,788	59,410
<b>Total deferred tax assets</b>	<b>947,116</b>	<b>557,853</b>
Deferred tax on derivatives	(11,626)	(14,533)
Deferred tax on investments	-	(666,023)
<b>Total deferred tax liabilities</b>	<b>(11,626)</b>	<b>(680,556)</b>
<b>Net deferred tax assets/(liabilities)</b>	<b>935,490</b>	<b>(122,703)</b>

#### Reconciliation of the Company's movement in deferred tax assets

Balance at the beginning of the financial year	557,853	428,004
Temporary differences:		
Amounts credited to profit and loss	298,519	108,852
Adjustments to tax in respect of prior years	(4,414)	6,879
Deferred tax charged to equity	95,158	(36,235)
Change in tax rate	-	50,353
<b>Balance at the end of the financial year</b>	<b>947,116</b>	<b>557,853</b>

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

#### Reconciliation of the Company's movement in deferred tax liabilities

Balance at the beginning of the financial year	(680,556)	(625,584)
Temporary differences:		
Amounts (credited)/charged to profit and loss	711,306	(14,224)
Adjustments to tax in respect of prior years	(42,376)	32,850
Change in tax rate	-	(73,598)
<b>Balance at the end of the financial year</b>	<b>(11,626)</b>	<b>(680,556)</b>

## Macquarie Infrastructure and Real Assets (Europe) Limited

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

	2021 £	2020 £
<b>Note 14. Provisions for liabilities</b>		
Provision for employee entitlements	4,670,838	3,942,955
<b>Total provisions for liabilities</b>	<b>4,670,838</b>	<b>3,942,955</b>
<b>Reconciliation of provisions:</b>		
Balance at the beginning of the financial year	3,942,955	6,534,050
Provisions made during the year	2,641,196	1,543,048
Provisions reversed during the year	-	(2,657,254)
Provisions used during the year	(2,176,641)	(1,653,811)
Transfers from other Macquarie Group undertakings	215,627	160,612
Foreign exchange movements	47,701	16,310
<b>Balance at the end of the financial year</b>	<b>4,670,838</b>	<b>3,942,955</b>
<b>Maturity profile of provision for employee benefits payable:</b>		
Within 1 year	2,460,415	2,204,466
Between 1 and 2 years	672,428	415,511
Between 2 and 5 years	1,537,995	1,322,978
<b>Balance at the end of the financial year</b>	<b>4,670,838</b>	<b>3,942,955</b>

### Note 15. Called up share capital

	2021 Number of shares	2020 Number of shares	2021 £	2020 £
<b>Ordinary share capital</b>				
Opening balance of fully paid ordinary shares	42,700,000	42,700,000	42,700,000	42,700,000
Closing balance of fully paid ordinary shares at £1 per share	42,700,000	42,700,000	42,700,000	42,700,000
<b>Equity contribution from parent entity (in relation to share-based payments)</b>				
Opening balance of equity contribution from parent			73,887	87,849
Additional equity contribution from ultimate parent entity during the financial year			94,772	(13,962)
Closing balance of contribution from ultimate parent entity (in relation to share-based payments)			168,659	73,887

## Macquarie Infrastructure and Real Assets (Europe) Limited

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

	2021 £	2020 £
<b>Note 16. Reserves and profit and loss account</b>		
<b>Reserves</b>		
<b>Foreign currency translation reserve</b>		
Balance at the beginning of the financial year	569,949	430,544
Exchange differences on translation of foreign operations, net of tax	(328,915)	139,405
<b>Balance at the end of the financial year</b>	<b>241,034</b>	<b>569,949</b>
<b>Profit and loss account</b>		
Balance at the beginning of the financial year	135,115,829	55,961,430
Profit attributable to ordinary equity holders of the Company	36,371,773	79,154,399
<b>Balance at the end of the financial year</b>	<b>171,487,602</b>	<b>135,115,829</b>
<b>Total profit and loss account</b>	<b>171,487,602</b>	<b>135,115,829</b>

### Note 17. Capital management strategy

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

The Company's capital management objectives are to:

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

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

Capital is defined as share capital and equity contribution from parent plus reserves.

The Company has satisfied its externally imposed capital requirements throughout the year.

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

The return on assets for the financial year ended 31 March 2021 was 16 per cent (2020: 38 per cent), calculated as profit attributable to ordinary equity holders divided by the total assets of the Company.



# Macquarie Infrastructure and Real Assets (Europe) Limited

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

### Note 18. Related party information

#### Subsidiaries

Transactions between the Company and its subsidiaries principally arise from the granting of loans, deposit of funds, provision of management and administration services and the provision of guarantees.

All transactions with subsidiaries are in accordance with regulatory requirements, the majority of which are on commercial terms.

Balances may arise from lending and borrowing activities between the Company and its subsidiaries, which are either repayable on demand or may be extended on a term basis and where appropriate may be either subordinated or collateralized.

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 23.

Other related party transactions for the year ended 31 March 2021 relating to the Company's investment management and advisory clients outside the Macquarie group have been disclosed in the following table. "Receivable/(payable) at 31 March 2021" and "expenses to be charged to client" are included within "fees and other receivables" in Note 10. These items and "expenses invoiced to client" have been disclosed in the following table.

During the financial year, the Company managed MEIF 2, MEIF 3, MEIF 4, MEIF 5, MEIF 6, MRIF, and MSCIF. The Company also advised MPF Holdings Limited ("MPF"), MIRA UK Gas, and Lombard Odier Macquarie Infrastructure Fund L.P. ("LMIF").

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

31 March 2021				
Client	Base fees	Expenses invoiced to client	Expenses to be charged to client	Receivable at 31 March 2021
	£	£	£	£
MEIF 4	19,845,936	174,292	37,930	-
LMIF	8,194,090	74,182	-	402,988
MIP IV	1,965,805	-	-	-
MEIF 2	379,034	17,140	-	-
MEIF 3	(86,986)	13,211	-	-
MRIF	(52,464)	7,629	-	-
MSCIF	-	136,805	11,196	-
MEIF 1	-	9,243	-	-
MEIF 5	-	480,314	4,099	-
MEIF 6	-	463,554	276,087	-
MPF	-	-	-	14,477,135
MIRA UK Gas	-	12,667	3,629	-

# Macquarie Infrastructure and Real Assets (Europe) Limited

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

### Note 19. Directors' remuneration

During the financial years ended 31 March 2021 and 31 March 2020, all Directors were employed by and received all emoluments from other Macquarie Group undertakings. The Directors perform directors' duties for multiple entities in the Macquarie Group, as well as their employment duties within Macquarie Group businesses. Consequently, allocating their employment compensation accurately across all these duties would not be meaningful. Accordingly, no separate remuneration has been disclosed apart from where stated above.

### Note 20. Employee equity participation

#### Macquarie Group Employee Retained Equity Plan (MEREP)

The entity participates in its ultimate parent company's, Macquarie Group Limited (MGL), share based compensation plans, being the Macquarie Group Employee Retained Equity Plan (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 an 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	1,538	7,149
Granted during the financial year	-	186
Forfeited during the financial year	-	(3,292)
Vested RSUs withdrawn or sold from the MEREP during the financial year	(374)	(3,027)
Net transfers from related body corporate entities	1,128	522
RSUs on issue at the end of the financial year	2,292	1,538
RSUs vested and not withdrawn from the MEREP at the end of the financial year	-	-

The weighted average fair value of the RSU awards granted during the Financial year was NIL (2020: £63.95).

##### Deferred Share Units (DSUs)

A DSU represents a 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 Australian Securities Exchange ("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.

## Macquarie Infrastructure and Real Assets (Europe) Limited

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

#### Note 20. Employee equity participation (continued)

	NUMBER OF DSU AWARDS	
	2021	2020
DSUs on issue at the beginning of the financial year	17,925	16,650
Granted during the financial year	14,522	9,499
Forfeited during the financial year	-	(227)
Exercised during the financial year	(4,764)	(3,104)
Net transfers to related body corporate entities	-	(4,893)
DSUs on issue at the end of the financial year	27,683	17,925
DSUs exercisable at the end of the financial year	-	-

The weighted average fair value of the DSU awards granted during the Financial year was £68.62 (2020: £62.52).

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

- Staff other than Executive Directors with retained profit share above a threshold amount (Retained Profit Share Awards) and staff who were promoted to Associate Director, Division Director or Executive Director, who received a fixed Australian dollar value allocation of MEREP awards (Promotion Awards)
- New Macquarie staff who commence at Associate Director, Division Director or Executive Director level and are awarded a fixed Australian dollar value (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 <sup>(1)</sup>
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

<sup>1</sup> Vesting will occur during an eligible staff trading window

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

For Retained Profit Share awards representing 2020 retention, the allocation price was the weighted average price of the shares issued for the 2020 issue period, which was 25 May 2020 to 5 June 2020. That price was calculated to be £122.37 (2019 retention: £98.41).

#### Assumptions used to determine fair value of MEREP awards

RSU's and DSU's are measured at their grant dates based on their fair value. This amount is recognised as an expense evenly over the respective vesting period.

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 RSUs and DSUs for FY2021 will be granted during the FY2022, the Company begins recognising an expense for these awards (based on an initial estimate) from 1 April 2020 related to these future grants. The expense is estimated using the estimated MEREP retention for FY2021 and applying the amortisation profile to the retained amount.

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

The entity annually revises its estimates of the number of awards (including those delivered through MEREP) that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the employment expenses in the income statement.

For the financial year ended 31 March 2021, compensation expense relating to the MEREP totalled £608,400 (2020: £446,947).

# Macquarie Infrastructure and Real Assets (Europe) Limited

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

### Note 21. Contingent liabilities and commitments

As at 31 March 2021, the Company had an undrawn commitment of £267k (2020: £273k) to invest as a Limited Partner into MKOF3.

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

### Note 22. Derivative financial instruments

#### Objectives of holding and issuing derivative financial instruments

The Company uses derivatives to hedge its investments in subsidiaries and investments in associates. Hedge criteria are outlined in note 3(v) - Derivatives instruments and hedging activities.

#### Forwards and forward rate agreements

Forward contracts are an agreement between two parties that a financial instrument or commodity will be traded at a fixed price and fixed date in the future. A forward rate agreement provides for two parties to exchange foreign exchange rate differentials based on an underlying principal amount at a fixed date in the future.

#### Fair value hedges

- foreign exchange forward contracts used to hedge against changes in the fair value of foreign denominated equity instruments as a result of movements in market foreign exchange rates.

As at 31 March 2021, the fair value of outstanding derivatives held by the Company and designated as fair value hedges was £2,530,434 negative value (2020: £3,693,886 negative value).

### Note 23. Ultimate parent undertaking

At 31 March 2021, the immediate parent undertaking of the Company is Macquarie Asset Management UK Holdings No.1 Limited. The ultimate parent undertaking and controlling party of the Company is MGL. The largest group to consolidate these financial statements is MGL, a company incorporated in Australia. The smallest group to consolidate these financial statements is Macquarie Financial Holdings Pty Limited ("MFHPL"), a company incorporated in Australia. Copies of the consolidated financial statements for MGL and MFHPL can be obtained from the Company Secretary, Level 6, 50 Martin Place, Sydney, New South Wales, 2000 Australia.

### Note 24. Employee information

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

	2021	2020
By activity:		
Advisory and sales	15	13
Administration and support services	0	1
Total average employees	15	14

### Note 25. Events after the reporting date

On 28 June 2021, a dividend in the amount of £12,244,862 was received from the Company's subsidiary, MKAM.

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.

# Independent auditors' report to the members of Macquarie Infrastructure and Real Assets (Europe) Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, Macquarie Infrastructure and Real Assets (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 profit 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, 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 guidance, 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:

- 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 meeting minutes of primary governance forums;
- Review of correspondence with the regulators, including the Financial Conduct Authority;
- Incorporating an element of unpredictability into the nature, timing and/or extent of our testing;
- Challenging assumptions and judgements made by management in their significant accounting estimates; and
- Applying risk-based criteria to all journal entries posted in the audit period, including consideration of backdated entries, post-close entries and those journals posted by a defined group of unexpected users

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://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  
26 July 2021