

MACQUARIE GROUP HOLDINGS (UK) NO.1 LIMITED

COMPANY NUMBER 06357992

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



MACQUARIE



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

Macquarie Group Holdings (UK) No.1 Limited

2019 Strategic Report, Directors' Report and Financial Statements Contents

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Macquarie Group Holdings (UK) No.1 Limited

Strategic Report for the financial year ended 31 March 2019

In accordance with a resolution of the directors (the "Directors") of Macquarie Group Holdings (UK) No.1 Limited (the "Company"), the Directors submit herewith the Strategic Report of the Company as follows:

Principal activities

The principal activity of the Company during the financial year ended 31 March 2019 was to act as a holding company for Macquarie Group Holdings (UK) No.2 Limited.

Review of operations

The profit for the financial year ended 31 March 2019 was £88,884,400, an increase of £991,476 in the previous year.

Total operating profit for the year ended 31 March 2019 were £87,860,351, an increase from the total operating loss of £345 in the previous year.

As at 31 March 2019, the Company had net assets of £146,811,556 (2018: £88,035,612).

Principal risks and uncertainties

The Macquarie Group operates parts of its European Union ("EU") business from United Kingdom based subsidiaries such as the Company. On 29 March 2017, the United Kingdom invoked Article 50 of the Lisbon Treaty and officially notified the EU of its decision to withdraw from the EU (known as "Brexit"). The economic, regulatory and legal environment as a result of Brexit will depend on the nature of the transitional arrangements (if any), and the Company continues to assess the possible impacts of Brexit and its strategic options to mitigate those impacts. Macquarie Group Holdings (UK) No.1 Limited (MGHUK1) holds an investment in Macquarie Group Holdings (UK) No. 2 Limited (MGHUK2) which is a UK regulated bank whose operations may be impacted in the absence of any transitional arrangements. Should transitional arrangements or a deal be reached, MGHUK2 would take advantage of such arrangements.

Financial risk management

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

Macquarie Group Holdings (UK) No.1 Limited

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

Financial risk management (continued)

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

The Company is exposed to a variety of financial risks that include the effects of operational risk and market risk and exposure to the performance of its subsidiary/subsidiaries.

Credit risk

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 receivables from other Macquarie Group undertakings, all of which earn a variable rate of interest. Interest bearing liabilities include payables to other Macquarie Group undertakings and external parties, which also incur a variable rate of interest.

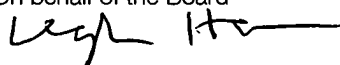
Foreign exchange risk

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

Other matters

Given the straightforward nature of the business and the information provided elsewhere in this report, the Directors are of the opinion that the production of financial and non-financial key performance indicators, the Company's business impact on the environment and social, community and human rights issues in the Strategic Report is not necessary for an understanding of the development, performance or position of the business.

On behalf of the Board



Director

1 November 2019

Leigh Harrison

Macquarie Group Holdings (UK) No.1 Limited

Company Number 06357992

Directors' Report

for the financial year ended 31 March 2019

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

Directors and Secretaries

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

J Dyckhoff
D Fass (resigned 11 July 2019)
L Harrison
K Burgess (appointed 11 July 2019)

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

H Everitt

Results

The profit for the financial year ended 31 March 2019 was £88,884,400 (2018: £991,476).

Dividends and distributions paid

Dividends of £30,000,000 (2018: £nil) were paid during the current financial year.

No other dividends or distributions were declared or paid during the financial year. No final dividend has been proposed.

State of affairs

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

Events after the reporting period

At the date of this report, the Directors are not aware of any matter or circumstance which has arisen that has significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in the financial years subsequent to 31 March 2019 not otherwise disclosed in this report.

Likely developments, business strategies and prospects

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

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

Indemnification and insurance of Directors

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

Macquarie Group Holdings (UK) No.1 Limited

Company Number 06357992

Directors' Report (continued)

for the financial year ended 31 March 2019

Principal risks and uncertainties

The Macquarie Group operates parts of its European Union ("EU") business from United Kingdom based subsidiaries such as the Company. On 29 March 2017, the United Kingdom invoked Article 50 of the Lisbon Treaty and officially notified the EU of its decision to withdraw from the EU (known as "Brexit"). The economic, regulatory and legal environment as a result of Brexit will depend on the nature of the transitional arrangements (if any), and the Company continues to assess the possible impacts of Brexit and its strategic options to mitigate those impacts. Macquarie Group Holdings (UK) No.1 Limited (MGHUK1) holds an investment in Macquarie Group Holdings (UK) No. 2 Limited (MGHUK2) which is a UK regulated bank whose operations may be impacted in the absence of any transitional arrangements. Should transitional arrangements or a deal be reached, MGHUK2 would take advantage of such arrangements.

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements, the Directors are required to:

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

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

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable

Disclosure of information to auditors

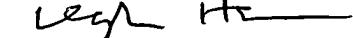
In the case of each Director in office at the date the Directors' Report is approved:

- 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

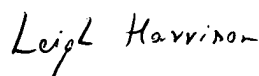
Pursuant to section 487(2) of the Companies Act 2006, the Auditors of the Company are deemed re-appointed for each financial period unless the Directors or the members of the Company resolve to terminate their appointment. As at the date of these financial statements the Directors are not aware of any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

On behalf of the Board



Director

1 November 2019



Independent auditors' report to the members of Macquarie Group Holdings (UK) No.1 Limited

Report on the financial statements

Opinion

In our opinion, Macquarie Group Holdings (UK) No.1 Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its 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 2019; the profit and loss account, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Independent auditors' report to the members of Macquarie Group Holdings (UK) No.1 Limited

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, 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.

Independent auditors' report to the members of Macquarie Group Holdings (UK) No.1 Limited

Responsibilities for the financial statements and the audit (continued)

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting


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

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

We have no exceptions to report arising from this responsibility.



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

 November 2019

Macquarie Group Holdings (UK) No.1 Limited

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

	Note	2019 ¹ £	2018 £
Turnover	3	88,000,000	-
Administrative expenses	3	(53)	(357)
Other operating expenses/(income)	3	(139,596)	12
Operating profit/(loss)		87,860,351	(345)
Interest receivable and similar income	4	1,264,235	1,224,390
Profit on ordinary activities before taxation	3	89,124,586	1,224,045
Tax on profit on ordinary activities	5	(240,186)	(232,569)
Profit for the financial year		88,884,400	991,476

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.

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

There were no other comprehensive income and expenses other than those included in the results above and therefore no separate statement of comprehensive income has been presented.

Macquarie Group Holdings (UK) No.1 Limited

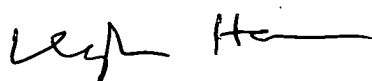
Balance sheet as at 31 March 2019

	Note	2019 ¹ £	2018 £
Fixed assets			
Investments	7	42,700,002	42,700,002
Current assets			
Debtors	8	104,353,303	45,569,743
Creditors: amounts falling due within one year	9	(241,749)	(234,133)
Net current assets		104,111,554	45,335,610
Total assets less current liabilities		146,811,556	88,035,612
Capital and reserves			
Called up share capital	10	62,900,002	62,900,002
Equity contribution from parent	10	82,700,000	82,700,000
Profit and loss account	11	1,211,554	(57,564,390)
Total shareholders' funds		146,811,556	88,035,612

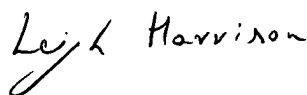
The above balance sheet should be read in conjunction with the accompanying notes, which form an integral part of the financial statements.

¹The March 2019 financial results reflect the adoption of IFRS 9 – Financial Instruments (IFRS 9) on 1 April 2018. As permitted by IFRS 9, the Company has not restated previously reported financial periods. Refer to Note 2 for the impact on the Company from initial adoption of IFRS 9.

The financial statements on pages 9 to 22 were approved by the Board of Directors on 1 November 2019 and were signed on its behalf by:



Director



Macquarie Group Holdings (UK) No.1 Limited

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

	Notes	Called up share capital £	Equity contribution from parent £	Profit and loss account £	Total shareholders' funds £
Balance at 1 April 2017		62,900,002	82,700,000	(58,555,866)	87,044,136
Profit for the financial year	11	-	-	991,476	991,476
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		-	-	991,476	991,476
Balance at 31 March 2018		62,900,002	82,700,000	(57,564,390)	88,035,612
Change on initial application of IFRS 9 ¹		-	-	(108,456)	(108,456)
Restated balance at 1 April 2018		62,900,002	82,700,000	(57,672,846)	87,927,156
Profit for the financial year	11	-	-	88,884,400	88,884,400
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		-	-	88,884,400	88,884,400
Dividends paid	6	-	-	(30,000,000)	(30,000,000)
Balance at 31 March 2019		62,900,002	82,700,000	1,211,554	146,811,556

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.

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

Macquarie Group Holdings (UK) No.1 Limited

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

Note 1. General information

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

Note 2. Summary of significant accounting policies

i) Basis of preparation

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

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

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 Macquarie Group Limited ("MGL"), a company incorporated in Australia.

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

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

- 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).
- 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 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.

Critical accounting estimates and significant judgements

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

- judgements regarding the identification of indicators of impairment (Note 7);
- judgements in determining the appropriate business model for a group of financial assets and assessing whether the cash flows generated by an asset constitute solely payment of principal and interest (SPPI);
- judgement in measurement of Expected Credit Loss (ECL) including the choice of inputs, estimates and assumptions relating to information about past events, current conditions and forecasts of economic conditions

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

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

Macquarie Group Holdings (UK) No.1 Limited

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

Note 2. Summary of significant accounting policies (continued)

New Accounting Standards and amendments to Accounting Standards and that are effective in the current financial year

IFRS 9 *Financial Instruments*

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

Transition:

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

The transition adjustment, which mainly relates to IFRS 9's expected credit loss impairments (ECL) requirements, reduced the Company's shareholders' funds by £108,456, no tax impact.

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

The adoption of the Classification and Measurement requirements of the standard does not result in significant measurement differences when compared to those under IAS 39. The adoption of IFRS 9 only impacts assets classified as loans receivable to amortised cost classification.

IFRS 15 Revenue from Contracts with Customers

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

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

ii) Going concern

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

iii) Foreign currency translations

Functional and presentation currency

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

Transactions and balances

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

Macquarie Group Holdings (UK) No.1 Limited

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

Note 2. Summary of significant accounting policies (continued)

iv) Revenue and expense recognition

Turnover

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

Net interest income

Interest income (with the exception of borrowing costs that are capitalised on a qualifying asset, which is not measured at fair value) is recognised using the effective interest rate (EIR) method for financial assets, and liabilities carried at amortised cost or debt financial assets classified as at fair value through OCI. The EIR method calculates the amortised cost of a financial instrument at a rate that discounts estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or liability.

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

Other operating income/(expenses)

Other operating income/(expenses) comprises net trading income, impairment losses/ reversal of impairment losses on financial assets and gains and losses arising from subsequent changes in the fair values of equity investment securities at fair value through profit or loss.

Expenses

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

v) Taxation

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset when there is a legally enforceable right to offset and an intention to either settle on a net basis, or realise the asset and settle the liability simultaneously.

(vi) Financial instruments

Recognition of financial instruments

Financial instruments are recognised when the Company becomes a party to the contractual provisions of the instrument. A financial instrument is initially recognised at fair value adjusted for (in the case of instruments not carried at FVTPL) transaction costs that are incremental and directly attributable to the acquisition or issuance of the financial instrument.

Macquarie Group Holdings (UK) No.1 Limited

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

Note 2. Summary of significant accounting policies (continued)

De-recognition of financial instruments

Financial assets

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

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

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

Financial liabilities

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

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

Classification and subsequent measurement

Financial assets

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

Business model assessment

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

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

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

Financial liabilities

Financial liabilities are subsequently measured at amortised cost, unless they are either held for trading purposes, in which case they are classified as HFT.

Solely payment of principal and interest (SPPI)

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

Amortised cost

A financial asset is subsequently measured at amortised cost using the EIR method if the following conditions are met:

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

Macquarie Group Holdings (UK) No.1 Limited

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

Note 2. Summary of significant accounting policies (continued)

(vi) Financial instruments (continued)

Fair value through profit or loss (FVTPL)

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

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

- financial assets that have been designated to be measured at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch (DFVTPL).

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

Offsetting of financial instruments

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

vii) Investments

Investments 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 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 give it the current ability to direct the entity's relevant activities. Relevant activities are those activities that significantly affect the entity's returns. The Company evaluates whether it has the power to direct the relevant activities. 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 whether it has exposure or rights to variable returns that, in aggregate, are significant. All variable returns are considered including, but not limited to, 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*.

viii) Due to/ from related entities

Transactions between the Company and its related entities, including its parent and subsidiaries, principally arise from the granting of funding and are measured at amortised cost.

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

Note 2. Summary of significant accounting policies (continued)

ix) Impairment

Expected credit losses ("ECL")

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

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

The ECL is determined with reference to the following stages:

(i) Stage 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 (or for those financial assets for which the credit risk is considered to be low), ECL is determined based on the PD over the next 12 months and the lifetime losses associated with such PD, adjusted for FLI.

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

(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 life-time PD and the lifetime losses associated with that PD, adjusted for FLI. The Company assesses whether there has been a SICR since initial recognition based on qualitative, quantitative, and reasonable and supportable FLI that includes significant management judgement.

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

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

(iii) Stage III – Lifetime ECL credit-impaired

Financial assets are classified as stage III where they are determined to be credit impaired. 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, ECL is measured as the product of the lifetime PD, LGD and EAD, adjusted for FLI.

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

Macquarie Group Holdings (UK) No.1 Limited

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

Note 2. Summary of significant accounting policies (continued)

ix) Impairment (continued)

(iv) Purchased or originated credit-impaired financial assets

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

- Loan assets, loans to related body corporate entities and subsidiaries

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.

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

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

- credit impairments were only required to be recognised for on-balance sheet exposures.

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

For available for sale debt securities, where there was objective evidence of impairment and the fair value of the financial asset was less than its initial carrying amount then the cumulative loss was transferred from OCI to the profit and loss account. Impairment losses recognised for debt investment securities classified as available for sale were subsequently reversed through the profit and loss account if the fair value increased and the increase was objectively related to an event after the impairment loss was recognised in the profit and loss account.

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 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.

x) Called up share capital

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

Macquarie Group Holdings (UK) No.1 Limited

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

	2019 £	2018 £
Note 3. Profit on ordinary activities before taxation		
Turnover (comprising dividend income)	88,000,000	-
Other operating expense:		
Recoveries	(53)	(357)
Other	(45)	12
Credit and other impairment charges	(139,551)	-

The cost of auditors' remuneration for auditing services of £8,482 (2018: £13,494) has been borne by Macquarie Corporate Holdings Pty Limited (UK Branch), a wholly owned subsidiary within the Macquarie Group. The auditors received no other benefits.

The Company had no employees during the year (2018: nil).

Note 4. Interest receivable and similar income

Interest receivable from other Macquarie Group undertakings	1,264,235	1,224,390
Total interest receivable and similar income	1,264,235	1,224,390

Note 5. Taxation

(i) Tax expense included in profit or loss

Current tax

UK corporation tax at 19% (2018: 19%)	(240,186)	(232,569)
Total current tax	(240,186)	(232,569)

(ii) Reconciliation of effective tax rate

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

Profit before income tax	89,124,586	1,224,046
Profit/(loss) on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	(16,933,671)	(232,569)
Non deductible expenses	(26,515)	-
Non assessable income	16,720,000	-
Total tax on profit on ordinary activities	(240,186)	(232,569)

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

Note 6. Dividends

Dividend paid	30,000,000	-
Total dividends paid (Note 11)	30,000,000	-

Note 7. Investments

Investments in subsidiary at cost without provisions for impairment	42,700,002	42,700,002
Total investments	42,700,002	42,700,002

Macquarie Group Holdings (UK) No.1 Limited

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

Note 7. Investments (continued)

Name of investment	Nature of business	Registered Office	2019 % ownership	2018 % ownership	2019 £	2018 £
Macquarie Group Holdings (UK) No.2 Limited ("MGHUK2")	Holding company for Macquarie UK regulated entity	Ropemaker Place 28 Ropemaker Street London EC2Y 9HD United Kingdom	100	100	42,700,002	42,700,002
Total investments					42,700,002	42,700,002

The Directors believe that the carrying value of the investments is supported by their recoverable amounts. No impairment has been recorded during the year ended 31 March 2019.

Note 8. Debtors

Amounts owed by other Macquarie Group undertakings	104,353,303	45,569,743
Total debtors	104,353,303	45,569,743

Amounts owed by other Macquarie Group undertakings are unsecured and have no fixed date of repayment. The Company derives interest on intercompany loans to other Macquarie Group undertakings at market rates and at 31 March 2019 the rate applied was LIBOR plus 1.93% (2018: LIBOR plus 2.26%). At the reporting date, amounts owed by other Macquarie Group undertakings has an ECL allowance of £247,628 (2018: £nil) which is net presented against the gross carrying amount.

Note 9. Creditors: Amounts falling due within one year

Amounts owed to other Macquarie Group undertakings	1,563	1,563
Taxation	240,186	232,570
Total creditors	241,749	234,133

Amounts owed to other Macquarie Group undertakings are unsecured and have no fixed date of repayment. The Company does not incur interest on the amounts owed to other Macquarie Group undertakings.

Note 10. Called up share capital

	2019 Number of shares	2018 Number of shares	2019 £	2018 £
Called up ordinary share capital				
Opening balance of fully paid ordinary shares	63,426,318	63,426,318	62,900,002	62,900,002
Closing balance of fully paid ordinary shares	63,426,318	63,426,318	62,900,002	62,900,002
Authorised share capital				
Ordinary shares	100,000,000	100,000,000	100,000,000	100,000,000
Ordinary A shares	21,052,632	21,052,632	20,000,000	20,000,000
Total authorised share capital	121,052,632	121,052,632	120,000,000	120,000,000
Equity contribution from parent entity				
Balance at the beginning of the financial year			82,700,000	82,700,000
Closing balance of equity contribution from parent entity			82,700,000	82,700,000

Macquarie Group Holdings (UK) No.1 Limited

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

Note 11. Profit and loss account

	2019 £	2018 £
Profit and loss account		
Balance at the beginning of the financial year	(57,564,390)	(58,555,866)
Profit attributable to ordinary equity holders of Macquarie Group Holdings (UK) No.1 Limited	88,884,400	991,476
Change on initial application of IFRS 9 (Note 2)	(108,456)	-
Dividends paid	(30,000,000)	-
Balance at the end of the financial year	1,211,554	(57,564,390)

Note 12. Related party information

As 100% of the voting rights of the Company are controlled within the group headed by MGL, incorporated in Australia, the Company has taken advantage of the exemption contained in FRS 101 and has therefore not disclosed transactions or balances with entities which form part of the Macquarie Group. The consolidated financial statements of MGL, within which the Company is included, can be obtained from the address given in Note 15.

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

Details of holdings by subsidiary undertakings is as below:

Name of related party	Registered office	% ownership	Class of shares
Subsidiary of MGH2L:			
Macquarie Infrastructure and Real Assets (Europe) Limited ("MIRAE")	Ropemaker Place, 28 Ropemaker Street, London EC2Y 9HD, United Kingdom	100	Ordinary shares
Subsidiary of MIRAE:			
Macquarie Korea Asset Management Co., Ltd.	9th Floor, Hanwha Building 109 Sogong-ro, Jung-gu Seoul 04525	100	Ordinary and Type 1 Preferred shares
	Korea	80.1	Type 2 Preferred shares

Note 13. Directors' remuneration

During the financial years ended 2019 and 2018, 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.

Note 14. Contingent liabilities and commitments

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

Macquarie Group Holdings (UK) No.1 Limited

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

Note 15. Ultimate Parent undertaking

At 31 March 2019 the immediate parent undertaking of the Company is Macquarie Corporate International Holdings Pty 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 16. Events after the reporting period

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