

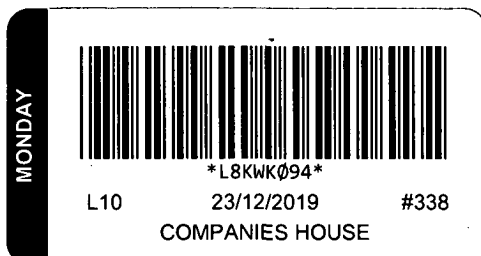
MACQUARIE EURO LIMITED

COMPANY NUMBER 07713808

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



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



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Strategic Report for the financial year ended 31 March 2019

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

Principal activities

The principal activity of the Company is to provide Euro denominated debt financing to other Macquarie Group undertakings domiciled in the United Kingdom and Continental Europe.

Review of operations

The profit for the financial year ended 31 March 2019 was €296,350, a significant decrease from the profit of €7,597,598 in the previous financial year.

Net operating profit for the financial year ended 31 March 2019 was €1,193,922, a decrease of 86% from the operating profit of €8,780,755 in the previous financial year.

Total administrative expenses for the year ended 31 March 2019 were €2,711,253, a decrease of 37% per cent from €4,317,300 in the previous financial year.

As at 31 March 2019, the Company had net assets of €204,751,580 (2018: €214,807,037).

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Macquarie Group and are not managed separately. Accordingly, the principal risks and uncertainties of Macquarie Group Limited ("MGL"), which include those of the Company, are discussed in its financial statements and can be obtained from the address given in Note 21.

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.

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 effect of credit risk, liquidity risk, market risk, interest rate risk and foreign exchange risk. Additional risks faced by the Company include legal, compliance and documentation risk. Responsibility for management of these risks lies with the individual businesses giving rise to them. It is the responsibility of the Risk Management Group ("RMG") to ensure appropriate assessment and management of these risks.

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

Strategic Report

for the financial year ended 31 March 2019 (continued)

Financial risk management (continued)

Credit risk

Credit exposures, approvals and limits are controlled within the Macquarie Group's credit risk framework, as established by RMG.

Liquidity risk

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

Market risk

The Company is exposed to market risk through its facilitation. 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.

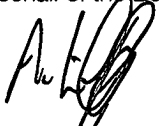
Foreign exchange risk

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

Other matters

Given the straightforward nature of the business and the information provided elsewhere in this report, the Directors are of the opinion that the production of financial and non-financial key performance indicators, the entity'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 **Adam Lilley**
18th December 2019

Directors' Report

for the financial year ended 31 March 2019

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

Directors and Secretaries

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

A Joseph (resigned on 31 October 2018)
A Lilley
R Thompson
S Maharaj (appointed on 31 October 2018)

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 €296,350 (2018: profit of €7,597,598).

Dividends paid or provided for

Dividends of €10,000,000 (2018: €4,500,000) were provided for and paid during the financial year.

State of affairs

On 16 April 2018, the Company sold €17,664,169 of loan assets to Macquarie Bank International Limited ("MBIL").

On 24 October 2018, APRA approved the return of capital by the Company's former indirect parent, Macquarie Bank Ltd ("MBL") to the Consolidated Entity that would follow the transfer of Corporate and Asset Finance ("CAF")'s Principal Finance and Transportation Finance businesses (the 'Businesses') from MBL to Macquarie Financial Holdings Pty Limited (MFHPL), both 100% held subsidiaries of MGL.

On 1 November 2018, loan assets of €97,989,511 provided by the Company were fully repaid.

On 2 November 2018, MBL, MGL, MHFPL and Macquarie B.H. Pty Ltd ("MBHPL") (MBL's intermediate holding company), executed a Restructure Deed to transfer the Businesses with an effective date of 10 December 2018. The transfers are intended to simplify the Consolidated Entity's structure by better reflecting the latest activities of individual parts of the Businesses.

As part of this transfer, the Company acquired €101,723,821 of loan assets from MBIL.

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

Events after the reporting period

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.

Directors' Report

for the financial year ended 31 March 2019 (continued)

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

Statement of Directors' responsibilities 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 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 period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

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

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

Independent Auditors

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

On behalf of the Board


Director
18th December 2019

Independent auditors' report to the members of Macquarie Euro Limited

Report on the audit of the financial statements

Opinion

In our opinion, Macquarie Euro 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.

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.

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

Use of this report

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

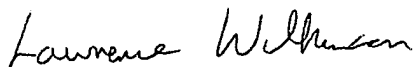
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



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

19 December 2019

Macquarie Euro Limited

Financial Statements

Profit and loss account

For the financial year ended 31 March 2019

	Note	2019 ¹ €	2018 €
Interest receivable and similar income	4	21,150,683	33,645,323
Interest payable and similar charges	5	(16,091,075)	(21,008,091)
Administrative expenses	3	(2,711,253)	(4,317,300)
Other operating (expenses)/income	3	(1,154,433)	460,823
Operating profit		1,193,922	8,780,755
Profit on ordinary activities before taxation		1,193,922	8,780,755
Tax on profit on ordinary activities	6	(897,572)	(1,183,157)
Profit for the financial year		296,350	7,597,598

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

¹The 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.

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

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 Euro Limited

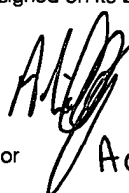
Balance sheet as at 31 March 2019

	Note	2019 ¹ €	2018 €
Fixed assets			
Loan assets	8	82,333,022	112,825,014
		82,333,022	112,825,014
Current assets			
Loan assets	8	11,288,706	-
Deferred tax assets	10	-	17,614
Debtors (includes 31 March 2018: €376,135,169 due after one year)	11	560,507,627	1,171,674,913
		571,796,333	1,171,692,527
Current liabilities			
Creditors: amounts falling due within one year	12	(416,317,293)	(414,259,953)
Net current assets		155,479,040	381,297,405
Total assets less current liabilities		237,812,062	870,257,588
 Creditors: amounts falling due after more than one year	13	 (33,060,482)	 (655,450,551)
Net assets		204,751,580	214,807,037
 Capital and reserves			
Called up share capital	14	202,601,446	202,601,446
Profit and loss account	15	2,150,134	12,205,591
Total shareholders' funds		204,751,580	214,807,037

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") 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.

The financial statements on pages 8 to 28 were approved by the Board of Directors on 18th December 2019 and were signed on its behalf by:


 Director Adam Lilley

Macquarie Euro Limited

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

	Notes	Called up share capital €	Profit and loss account €	Total shareholders' funds €
Balance at 1 April 2017		75,000,002	9,107,993	84,107,995
Profit for the financial year		-	7,597,598	7,597,598
Total comprehensive income		-	7,597,598	7,597,598
Transactions with equity holders in their capacity as ordinary equity holders:				
Issue of share capital on 21 November 2017	14	127,601,444	-	127,601,444
Dividends paid	7	-	(4,500,000)	(4,500,000)
Balance at 31 March 2018		202,601,446	12,205,591	214,807,037
Change on initial application of IFRS 9 ¹		-	(351,807)	(351,807)
Restated balance at 1 April 2018		202,601,446	11,853,784	214,455,230
Profit for the financial year		-	296,350	296,350
Total comprehensive income		-	296,350	296,350
Transactions with equity holders in their capacity as ordinary equity holders:				
Dividends paid	7	-	(10,000,000)	(10,000,000)
Balance at 31 March 2019		202,601,446	2,150,134	204,751,580

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) on 1 April 2018. As permitted by IFRS 9, the Company has not restated previously reported financial periods. On the adoption of IFRS 9, the Company elected to make presentational changes to certain financial assets and financial liabilities. The effect of the adoption of these standards on the comparative financial information is explained in Note 2.

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

Note 1. Company information

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

Note 2. Summary of significant accounting policies

(i) Basis of preparation

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

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

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 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 paragraphs of IAS 1, 'Presentation of financial statements':
 - 10 (d), (statement of cash flows),
 - 16 (statement of compliance with all IFRS),
 - 38A (requirement for minimum of two primary statements, including cash flow statements),
 - 38 B-D (additional comparative information),
 - 111 (cash flow statement information), and
- The requirements of IAS 7 'Statement of Cash Flows'.
- The requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- The requirements of paragraph 17 of IAS 24 'Related Party Disclosures' (key management compensation).
- The requirements of IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group where both parties to the transaction are wholly owned within the group.
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 'Impairment of Assets'.

Critical accounting estimates and significant judgements

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

- judgement in determining the appropriate business model for a group of financial assets and assessing whether the cash flows generated by an asset constitute solely payment of principal and interest (SPPI) (Note 2(vi));
- judgement in measurement of Expected Credit Loss (ECL) including the choice of inputs, estimates and assumptions relating to information about past events, current conditions and forecasts of economic conditions (Notes 2(vii) and 9);
- judgement and estimate in the fair value of financial assets and liabilities (Note 19); and
- judgment and an estimate of recoverability of tax receivables, deferred tax assets and measurement of current and deferred tax liabilities (Note 6 and 10).

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.

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

Note 2. Summary of significant accounting policies (continued)

(i) Basis of preparation (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 its comparative financial statements and has recorded a transition adjustment to opening balance sheet and retained earnings at 1 April 2018 for the impact of the adoption of IFRS 9 requirements.

The transition adjustment, which mainly relates to IFRS9's expected credit loss impairments (ECL), reduced the Company's shareholders' fund by €351,807 after tax. The net ECL movement on debtors and loan assets of €315,106 primarily represents Stage 1 provisions on these balances.

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 loan assets and debtors classified as loans receivable at amortised cost.

IFRS 15 Revenue from Contracts with Customers

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

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

The Company adopted IFRS 15 on 1 April 2018 and based on the assessment it has been concluded that all income streams are outside the scope of IFRS 15 so there is no transition impact due to adoption on the timing or amount of revenue recognised at 31 March 2018.

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

Note 2. Summary of significant accounting policies (continued)

(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 'Euro' (€), 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.

(iv) Revenue and expense recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for the major business activities as follows:

Net interest income/(expense)

Interest income and expense are brought to account using the effective interest rate method method ("EIR") for financial assets, and liabilities carried at amortised cost. The EIR method calculates the amortised cost of a financial instrument at a rate that discounts estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or liability. Fees and transaction costs that are integral to the lending arrangement are recognised in the profit and loss account over the expected life of the instrument in accordance with the EIR method.

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

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

Dividends

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

Expenses

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

Other operating (expenses)/income

Other operating (expenses)/income comprises net trading income and impairment (losses)/reversal of impairment losses on financial assets. Net trading income comprises gains and losses related to derivatives including foreign exchange differences.

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

Note 2. Summary of significant accounting policies (continued)

(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.

The Company undertakes transactions in the ordinary course of business where the income tax treatment and recognition of deferred tax assets requires the exercise of judgement. The Company estimates its tax liability based on its understanding of the tax law.

vi) Financial instruments

Recognition of financial instruments

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

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.

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

Note 2. Summary of significant accounting policies (continued)

vi) Financial instruments (continued)

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.

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; and
- (iii) the financial asset has not been designated to be measured at FVTPL (DFVTPL).

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

Fair value through profit or loss (FVTPL)

Financial assets that do not meet the criteria to be measured at amortised cost or fair value through other comprehensive income (FVOCI) are measured at FVTPL, with all changes in fair value recognised as part of other operating income and expenses in the profit and loss account.

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

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

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

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

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

Note 2. Summary of significant accounting policies (continued)

vi) Financial instruments (continued)

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 instrument's new measurement category.

The Company does not reclassify financial liabilities after initial recognition.

Prior to the adoption of IFRS 9, the Company's financial assets were classified into the following category:

Loans and receivables: being receivables and amounts due from subsidiaries that were non-derivative financial assets with fixed or determinable payments and that were not quoted in an active market. The measurement and recognition of gains and losses of such assets aligns with that for financial assets classified as at amortised cost in terms of IFRS 9.

Financial liabilities

Financial liabilities are subsequently measured at amortised cost. Gains and losses arising from the derecognition of financial liabilities that are subsequently measured on an amortised cost basis are recognised in other income as part of other operating income and expenses.

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) 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. 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.

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

Note 2. Summary of significant accounting policies (continued)

vii) Impairment (continued)

(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.

(iv) Purchased or originated credit-impaired financial assets

Purchased or originated credit-impaired (POCI) financial assets are initially recognised at fair value with interest income subsequently determined using a credit-adjusted EIR. The credit-adjusted EIR is the EIR adjusted for expected credit losses on initial recognition. The ECL is measured as the product of the lifetime PD, LGD and EAD adjusted for FLI or by discounting the difference between the contractual and expected cash flows from the individual exposure using the credit-adjusted EIR, with increases and decreases in the measured ECL from the date of origination or purchase being recognised in profit and loss account as either an impairment gain or loss.

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

- Loan assets and amounts due to other Macquarie Group undertakings measured at amortised cost – as a deduction to the gross carrying amount.

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

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.

(viii) 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.

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

	2019 €	2018 €
Note 3. Profit on ordinary activities before taxation		
Profit on ordinary activities before taxation is stated after (crediting)/charging:		
Fee allocations to other Macquarie Group undertakings	2,336,657	4,081,035
Credit impairment charges/(reversals) ¹	1,258,721	(484,707)
Foreign exchange gains	(922)	(3,684)
Fees payable to the Company's auditors for the audit of the Company	46,381	77,122
The Company had no employees during the year (2018: nil).		
¹ The change in expected credit losses relating to financial assets under IFRS 9 is recorded under Credit impairment charges. Individual and collective provisions for March 2018 remain in accordance with IAS 39 and have not been restated.		
Note 4. Interest receivable and similar income		
Interest receivable from other Macquarie Group undertakings	13,323,822	18,095,682
Interest receivable from unrelated parties	7,826,861	15,549,641
Total interest receivable and similar income	21,150,683	33,645,323
Note 5. Interest payable and similar charges		
Interest payable to other Macquarie Group undertakings	16,091,075	21,008,091
Total interest payable and similar expenses	16,091,075	21,008,091
Note 6. Tax on profit on ordinary activities		
Analysis of tax charge for the year:		
Current tax		
UK corporation tax at 19% (2018: 19%)	(518,925)	(1,585,770)
Adjustments in respect of prior years	(361,127)	433,608
Foreign tax suffered	-	(105)
Current tax	(880,052)	(1,152,267)
Deferred tax		
Origination and reversal of temporary differences	(19,153)	(80,700)
Foreign exchange difference	-	45,955
Effect of changes in tax rates	1,633	3,855
Total deferred tax	(17,520)	(30,890)
Tax on profit on ordinary activities	(897,572)	(1,183,157)
Factors affecting tax charge for the year:		
The income tax expense for the year is higher (2018: lower) than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:		
Profit on ordinary activities before taxation	1,193,922	8,780,755
Profit on ordinary activities before taxation multiplied by standard rate corporation tax in the United Kingdom of 19% (2018: 19%)	(226,845)	(1,668,343)
Effects of:		
Adjustments to tax charge in respect of prior years	(361,127)	479,563
Non deductible expenses	(265,602)	
Foreign tax suffered	-	(105)
Foreign exchange difference	1,633	3,855
Effect of changes in tax rates	(45,631)	1,873
Total tax on profit on ordinary activities	(897,572)	(1,183,157)

The UK Government have enacted a reduction in the main rate of corporation tax from 20% to 19% from 1 April 2017 and a further reduction to 17% from 1 April 2020.

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

	2019 €	2018 €
Note 7. Dividends paid		
Dividends paid		
Dividend paid (€0.05 per share)	10,000,000	4,500,000
Total dividends paid	10,000,000	4,500,000

Note 8. Loan assets

Loans and receivables	93,863,167	113,097,832
Less: ECL allowance/collective allowance for credit losses ¹	(241,439)	(272,818)
Total loan assets	93,621,728	112,825,014

¹The current financial year results reflect the adoption of IFRS 9. The expected credit losses relating to loan assets under IFRS 9 is recorded under ECL allowance. As the prior year has not been restated, individually assessed provisions and collective allowance for credit losses provided for in March 2018 remain in accordance with IAS 39 and are therefore not necessarily comparable to ECL allowance recorded in the current year.

Included within this balance is an amount of €11,288,706 (2018: €nil) which is expected to be recovered within 12 months of the balance sheet date by the Company.

The below table represents the movements in individually assessed provisions and collective allowance for credit losses for the financial year ended 31 March 2018. Refer Note 9 - Expected credit losses, for reconciliation of ECL on loan assets for year ended 31 March 2019 as per IFRS 9.

Provision for credit losses

Balance at the beginning of the financial year	758,528
Written-back during the financial year	(484,707)
Attributable to foreign currency translation	(1,003)
Balance at the end of the financial year	272,818

The collective allowances for credit losses is intended to cover losses inherent in the existing overall credit portfolio.

Note 9. Expected credit losses

The below table presents the gross exposure and related ECL allowance for each class of assets subject to impairment requirements of IFRS 9^{1,2}.

	As at 31 March 2019		As at 1 April 2018	
	Gross exposure €	ECL allowance €	Gross exposure €	ECL allowance €
Debtors	562,103,389	1,606,143	1,171,674,913	531,003
Loans assets	93,863,167	241,439	113,097,832	56,921
Total credit impaired financial assets	655,966,556	1,847,582	1,284,772,745	587,924

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

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

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

	Loans assets €	Debtors €	Total €
Balance as at 31 March 2018	272,818	-	272,818
Change on initial application of IFRS 9	(215,897)	531,003	315,106
Balance as at 1 April 2018	56,921	531,003	587,924
Impairment charge (Note 3)	184,597	1,074,124	1,258,721
Foreign exchange movement	(79)	1,016	937
Balance as at 31 March 2019	241,439	1,606,143	1,847,582

All of the above financial assets are of ECL stage I.

Macquarie Euro Limited

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

	2019 €	2018 €
Note 10. Deferred tax assets		
The balance comprises timing differences attributable to:		
Financial instruments	-	17,614
Total deferred tax assets	-	17,614
Financial Instruments	(510,975)	-
Total deferred income tax liabilities	(510,975)	-
Net deferred income tax (liabilities)/assets	(510,975)	17,614
Reconciliation of the Company's movement in deferred tax assets:		
Balance at the beginning of the financial year	17,614	50,378
Timing differences:		
Deferred tax charged to profit or loss	(19,686)	(82,574)
Adjustments to tax in respect of prior years	-	45,955
Change in tax rate	2,072	3,855
Balance at the end of the financial year	-	17,614
Reconciliation of the Company's movement in deferred tax liabilities:		
Balance at the beginning of the financial year	-	-
Timing differences:		
Amounts credited/debited to profit and loss	4,173	-
Adjustments to tax in respect of prior years	-	-
Deferred tax charged to equity	(514,709)	-
Change in tax rate	(439)	-
Balance at the end of the financial year	(510,975)	-
Note 11. Debtors		
Amounts owed by other Macquarie Group undertakings ¹	560,497,246	1,171,674,913
Other debtors	10,381	-
Total debtors	560,507,627	1,171,674,913
¹ Amounts owed by other Macquarie Group undertakings within one year are unsecured and have no fixed date of repayment. The Company derives interest on intercompany loans to group undertakings at market rates and at 31 March 2019 the rate applied ranged between LIBOR plus 1.18% and LIBOR plus 2.41% (2018: LIBOR plus 1.15% and LIBOR plus 1.36%).		
Note 12. Creditors: Amounts falling due within one year		
Amounts owed to other Macquarie Group undertakings ¹	415,329,125	412,928,559
Other liabilities	-	1,972
Derivative liabilities	-	104,562
Taxation	988,168	1,224,860
Total creditors	416,317,293	414,259,953
¹ Amounts owed to other Macquarie Group undertakings are unsecured and have no fixed date of repayment. The Company incurs interest on amounts owed to group undertakings at market rates and at 31 March 2019 the rate applied was LIBOR plus 1.93% (2018: LIBOR plus 1.36%).		
Note 13. Creditors: Amounts falling due after more than one year		
Amounts owed to other Macquarie Group undertakings	33,060,482	655,450,551
Total creditors	33,060,482	655,450,551
During the financial year, the Company repaid its long term borrowing from Macquarie Bank Limited (London Branch) and was provided long term funding of €33,060,482 from Macquarie Principal Finance Pty Limited (UK Branch) which has a maturity date of 5 years. The Company incurs interest on amounts owed to other Macquarie Group undertakings and at 31 March 2019 the rate applied was LIBOR plus 1.93%. In the prior year, the Company derived interest on intercompany balances owed to Group undertakings at 31 March 2018. The rate applied to €391,112,088 and £232,151,394 was at LIBOR plus 1.36%.		

Macquarie Euro Limited

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

Note 14. Called up share capital

	2019 Number of shares	2018 Number of shares	2019 €	2018 €
Ordinary share capital				
Opening balance of fully paid ordinary shares	202,601,446	75,000,002	202,601,446	75,000,002
Issue of 127,601,444 ordinary shares on 21 November 2017 at €1 per share	-	127,601,444	-	127,601,444
Closing balance of fully paid ordinary shares	202,601,446	202,601,446	202,601,446	202,601,446

Authorised share capital

The authorised share capital of the Company comprises of 202,601,446 (2018: 202,601,446) ordinary shares of €1 each.

	2019 €	2018 €
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Note 15. Profit and loss account

Profit and loss account

Balance at the beginning of the financial year	12,205,591	9,107,993
Change on initial application of IFRS 9 (Note 2)	(351,807)	-
Profit attributable to ordinary equity holders of the Company	296,350	7,597,598
Dividends paid on ordinary share capital (Note 7)	(10,000,000)	(4,500,000)
Balance at the end of the financial year	2,150,134	12,205,591
Total profit and loss account	2,150,134	12,205,591

Note 16. Directors' remuneration

During the financial years ended 31 March 2019 and 31 March 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 apart from where stated above.

Note 17. Financial risk management

Risk management group

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

Primary responsibility for risk management lies at the business level. Part of the role of all business managers throughout Macquarie is to ensure they manage risk appropriately.

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

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

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

Note 17. Financial risk management (continued)

Note 17.1 Credit risk

Credit risk is the risk of a counterparty failing to complete its contractual obligations when they fall due. The consequent loss is either the amount of the loan or financial obligation not repaid, or the loss incurred in replicating a trading contract with a new counterparty. Credit risk within the Company is managed on a group basis by the RMG at MGL.

Ratings and reviews

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

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

Credit quality of financial assets

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

As at 31 March 2019

	Investment Grade	Below Investment Grade	Unrated	Total
	€	€	€	€
Amounts owed by other Macquarie Group undertakings				
Financial institutions	774,940	-	-	774,940
Other	559,722,306	-	-	559,722,306
Loan and receivables				
Other	47,355,358	46,266,370	-	93,621,728
Total¹	607,852,604	46,266,370	-	654,118,974

All of the above financial assets are of ECL impairment stage I.

¹This balance excludes other non-financial assets of €10,381 which are included in Note 11 – Debtors.

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

Note 17. Financial risk management (continued)

Note 17.1 Credit risk (continued)

Credit risk concentration

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

As at 31 March 2019	Amounts owed by other Macquarie Group undertakings €	Loans and receivables €	Total €
Australia			
Financial institutions	410,328	-	410,328
Total Australia	410,328	-	410,328
Europe, Middle East & Africa			
Financial institutions	364,612	-	364,612
Other	559,722,306	93,621,728	653,344,034
Total Europe, Middle East & Africa	560,086,918	93,621,728	653,708,646
Total gross credit risk¹	560,497,246	93,621,728	654,118,974

¹This balance excludes other non-financial assets of €10,381 which are included in Note 11 – Debtors.

Maximum exposure to credit risk

For on-balance sheet instruments, the maximum exposure to credit risk is the carrying amount reported on the balance sheet. For off-balance sheet instruments, the maximum exposure to credit risk generally represents the contractual notional amounts and is disclosed in Note 9 - Expected credit losses.

Prior year comparative credit risk disclosures

The below credit risk disclosures were included in the 2018 financial statements and do not reflect the adoption of IFRS 9. These tables are accordingly not directly comparable to that provided in terms of IFRS 9.

Credit quality of financial assets

The table below details the credit quality of the Company's financial assets for the maximum exposure to credit risk. The credit quality is based on the individual counterparty's credit rating and industry type using the Company's credit rating system and excludes the benefit of collateral and credit enhancements except as otherwise indicated.

As at 31 March 2018

	Investment Grade €	Below Investment Grade €	Unrated €	Total €
Amounts owed by other Macquarie Group undertakings				
Financial institutions	783,188,295	-	-	783,188,295
Other	388,486,618	-	-	388,486,618
Loan and receivables				
Other	-	112,825,014	-	112,825,014
Total	1,171,674,913	112,825,014	-	1,284,499,927

¹This balance excludes other non-financial assets of €17,614 which are included in Note 10 – Deferred tax assets.

Macquarie Euro Limited

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

Note 17. Financial risk management (continued)

Note 17.1 Credit risk (continued)

Prior year comparative credit risk disclosures (continued)

Maximum exposure to credit risk

	Amounts owed by other Macquarie Group undertakings €	Loans and receivables €	Total €
As at 31 March 2018			
Australia			
Financial institutions	783,188,295	-	783,188,295
Total Australia	783,188,295	-	783,188,295
Europe, Middle East & Africa			
Other	388,486,618	112,825,014	501,311,632
Total Europe, Middle East & Africa	388,486,618	112,825,014	501,311,632
Total gross credit risk⁽¹⁾	1,171,674,913	112,825,014	1,284,499,927

¹This balance excludes other non-financial assets of €17,614 which are included in Note 10 – Deferred tax assets.

Note 17.2 Liquidity risk

Liquidity risk is the risk of an entity encountering difficulty in meeting obligations with financial liabilities. Liquidity risk within the Company is managed on a group basis by Group Treasury with oversight from the Asset and Liability Committee and RMG.

Contractual undiscounted cash flows

The table below summarises the maturity profile of the Company's financial liabilities as at 31 March based on contractual undiscounted repayment obligations and hence would vary from the carrying value as the balance sheet date. Repayments subject to notice are treated as if notice were given immediately. However, the Company expects that many customers will not request repayment on the earliest date the Company could be required to pay.

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
2019	€	€	€	€	€
Amounts owed to other					
Macquarie Group undertakings	415,329,125	-	-	33,060,482	448,389,607
Total undiscounted cash flows	415,329,125	-	-	33,060,482	448,389,607
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
2018	€	€	€	€	€
Amounts owed to other					
Macquarie Group undertakings	412,928,559	-	-	655,450,551	1,068,379,110
Derivative Liabilities	104,562	-	-	-	104,562
Total undiscounted cash flows	413,033,121	-	-	655,450,551	1,068,483,672

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

Note 17. Financial risk management (continued)

Note 17.3 Market risk

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

- Price: The risk of loss due to changes in Price of a risk factor (Interest rates, foreign exchange, commodities etc.)
- Volatility: The risk of loss due to changes in the volatility of a risk factor
- Basis: Risk of imperfect correlation between offsetting investments in a hedging strategy
- Correlation: Risk that the actual correlation between two assets or variables is different from the assumed correlation

Interest rate risk

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

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

	Movement in basis points	2019 Sensitivity of equity after tax	2018 Sensitivity of equity after tax
		€	€
Great British pound	+50	(15,887)	3,068
Euro	+50	1,044,371	1,087,230
Other	+50	45,905	117
Great British pound	-50	15,887	(3,068)
Euro	-50	(1,044,371)	(1,087,230)
Other	-50	(45,905)	(117)

Foreign currency risk

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

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

	Movement of +10%		Movement of -10%	
	2019 Sensitivity of equity after tax	2018 Sensitivity of equity after tax	2019 Sensitivity of equity after tax	2018 Sensitivity of equity after tax
	€	€	€	€
Australian dollar	(17,728)	249	17,728	(249)
Great British pound	87,898	(152,512)	(87,898)	152,512
United States dollar	1,147	(208)	(1,147)	208

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

Note 18. Measurement categories of financial instruments

The descriptions of measurement categories are included in Note 2 - Significant accounting policies. The methods and significant assumptions that have been applied in determining the fair values of financial instruments are disclosed in Note 19 - Fair value of financial assets and financial liabilities. All assets and liabilities as of 31 March 2019 are measured at amortised cost with the exception of deferred tax assets and other tax provisions which are non-financial instruments.

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

Note 19. Fair values of financial assets and financial liabilities

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

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

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

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The appropriate level for an instrument is determined on the basis of the lowest level input that is significant to the fair value measurement.

The following methods and significant assumptions have been applied in determining the fair values of financial instruments which are carried at amortised cost:

- the fair values of liquid assets and other instruments maturing within three months are approximate to their carrying amounts. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities;
- the fair value of demand deposits with no fixed maturity is approximately their carrying amount as they are short term in nature or are payable on demand;
- the fair values of variable rate financial instruments, including cash collateral on securities borrowed/cash collateral on securities lent approximated by their carrying amounts. Fair values of all loan assets and debt liabilities carried at amortised cost is determined with reference to changes in credit markets as well as interest rates.
- the fair value of fixed rate loans and debt investments carried at amortised cost is estimated by reference to current market rates offered on similar loans and the credit worthiness of the borrower.
- substantially all of the Company's commitments to extend credit are at variable rates. As such, there is no significant exposure to fair value fluctuations resulting from interest rate movements relating to these commitments; and
- The fair value of balances due from/to related entities are approximate to their carrying amount as the balances are generally short term in nature.

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

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

Note 20. Offsetting financial assets and financial liabilities

The company reports financial assets and financial liabilities on a net basis on the balance sheet when they meet the criteria described in Note 2(vi) – Financial instruments. The following tables provide information on the impact of offsetting that has occurred in the balance sheet, as well as amounts subject to enforceable netting arrangements that do not meet all the criteria for offsetting in the balance sheet. Enforceable netting arrangements may allow for net settlement of specified contracts with a counterparty only in the event of default or other pre-determined events, such that their potential effects on the Company's financial position in that circumstance is to settle as one arrangement.

	Amounts subject to enforceable netting arrangements					Balance Sheet total €
	Subject to offsetting on balance sheet			Related amounts not offset		
	Gross amounts €	Amounts offset €	Net amount presented €	Other recognised financial instruments €	Net amount €	
2019						
Amounts owed by other Macquarie Group undertakings	606,795,765	(46,298,519)	560,497,246	-	560,497,246	560,497,246
Total assets	606,795,765	(46,298,519)	560,497,246	-	560,497,246	560,497,246
Amounts owed to other Macquarie Group undertakings	(494,688,126)	46,298,519	(448,389,607)	-	(448,389,607)	(448,389,607)
Total liabilities	(494,688,126)	46,298,519	(448,389,607)	-	(448,389,607)	(448,389,607)

	Amounts subject to enforceable netting arrangements					Balance Sheet total €
	Subject to offsetting on balance sheet			Related amounts not offset		
	Gross amounts €	Amounts offset €	Net amount presented €	Other recognised financial instruments €	Net amount €	
2018	€	€	€	€	€	€
Amounts owed by other Macquarie Group undertakings	1,348,421,680	(176,746,767)	1,171,674,913	(768,829,420)	402,845,493	1,171,674,913
Total assets	1,348,421,681	(176,746,767)	1,171,674,913	(768,829,420)	402,845,493	1,171,674,913
Amounts owed to other Macquarie Group undertakings	(1,245,125,877)	176,746,767	(1,068,379,110)	768,829,420	(299,549,690)	(1,068,379,110)
Total liabilities	(1,245,125,877)	176,746,767	(1,068,379,110)	768,829,420	(299,549,690)	(1,068,379,110)

Offsetting on balance sheet

Amounts are offset in accordance with the criteria described in Note 2(vi) – Financial instruments and are limited to the gross carrying values of the financial instruments. Therefore, when an asset is offset by a liability and the asset carrying value exceeds the liability carrying value, then the net amount presented for the asset will be the difference, and for the liability will be nil.

Amounts covered by enforceable netting arrangements

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

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

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

Note 21. Ultimate parent undertaking

At 31 March 2019, the immediate parent undertaking of the Company is Macquarie European Investment Holdings 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 22. 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 21.

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.

Note 23. Capital management strategy

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

The Company's capital management objectives are to:

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

Periodic reviews of the entity's capital requirements are performed to ensure the Company is meeting its objectives. Capital is defined as share capital plus reserves, including profit and loss account.

Note 24. Events after the reporting period

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