Macquarie European Rail Limited
COMPANY NUMBER 08253782

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

2019 Strategic Report, Directors' Report and Financial Statements

Contents

Strategic Report
for the financial year ended 31 March 2019

In accordance with a resolution of the directors (the "Directors") of Macquarie European Rail 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 was the lease of UK freight and passenger rail assets under operating leases. The assets were deployed in the UK.

The Company operates a branch in Luxembourg which was originally established to acquire and service the Northern European rail assets. After the sale of the Northern European rail assets in the previous financial year the branch is undergoing plans to be de-registered.

Review of operations

The profit for the financial year ended 31 March 2019 was £1,606,688, a decrease from £124,192,229 in the previous financial year. In the previous financial year the Luxembourg branch sold its assets causing an exceptional profit.

Operating profit for the financial year ended 31 March 2019 was £1,325,926, a decrease from £14,848,450 in the previous financial year.

Administrative expenses for the financial year ended 31 March 2019 was £4,242,003, a decrease from £11,993,227 in the previous financial year.

As at 31 March 2019, the Company had net assets of £88,816,526 (2018: £87,337,053).

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 MGL's financial statements and can be obtained from the address given in Note 20.

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 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.

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.

Market risk
The Company is exposed to market risk from market value changes of rolling stock through its leasing activities. The Directors have adopted the risk model used by the Macquarie Group, as approved by RMG. This model is incorporated into the Macquarie Group's risk management systems to enable the Company to manage this risk effectively.

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 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 and external parties, 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 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
TIM DURHAM 31/10/2019

Directors' Report
for the financial year ended 31 March 2019

In accordance with a resolution of the Directors (the "Directors") of Macquarie European Rail Limited (the "Company"), the Directors submit herewith the audited financial statements of the Company and report as follows:

Directors and Secretaries

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

T Durham
M Sims
J Watkinson

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

H Everitt

Results

The profit for the financial year ended 31 March 2019 was £1,606,688 (2018: £124,192,229).

The Luxembourg branch contributed a profit of £20,603 to the overall profit on ordinary activities before taxation of £1,958,233. In the prior financial year the branch contributed a profit of £118,257,239 to the overall profit on ordinary activities before taxation of £127,190,375. In the previous financial year the Luxembourg branch sold its assets causing an exceptional profit.

Dividends paid or provided for

No interim dividends were paid or provided for during the current financial year (2018: £129,404,370). No final dividend has been proposed.

State of affairs

The Company operates a branch in Luxembourg which was originally established to acquire and service the Northern European rail assets. During the prior financial year these assets were sold to Macquarie European Rail GmbH.

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 year

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.

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.

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

Statement of Directors' responsibilities
The Directors are responsible for preparing the 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 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 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

TIM DURHAM
Director

31/10/ 2019

Independent auditors' report to the members of Macquarie European Rail Limited

Report on the audit of the financial statements

Opinion

In our opinion, Macquarie European Rail 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 comprehensive income, and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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.

Peter Venables

Peter Venables (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
31 October 2019

Financial Statements

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

	Note	2019[1] £	2018 £
Turnover	2(iv)	**5,564,991**	23,817,964
Administrative expenses	3	**(4,242,003)**	(11,993,227)
Other operating income		**2,938**	3,023,713
Operating profit		**1,325,926**	14,848,450
Interest receivable and similar income	4	**2,965,290**	3,722,090
Interest payable and similar charges	5	**(2,332,983)**	(3,694,324)
Profit on disposal of property, plant & equipment	3	**-**	112,314,159
Profit on ordinary activities before taxation		**1,958,233**	127,190,375
Tax on profit on ordinary activities	6	**(351,545)**	(2,998,146)
Profit for the financial year		**1,606,688**	124,192,229

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

[1] The 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 Notes 2.

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

Statement of comprehensive income
for the financial year ended 31 March 2019

	Note	2019[1] £	2018 £
Profit for the financial year	14	**1,606,688**	124,192,229
Exchange differences on translation of foreign operations, net of hedge	14	**(19,919)**	959,550
Other comprehensive (expense)/income	14	**(19,919)**	959,550
Total comprehensive income		**1,586,769**	125,151,779
Total comprehensive income attributable to ordinary equity holders of the Company		**1,586,769**	125,151,779

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

[1] The 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. The effect of the adoption of these standards is explained in Note 2.

Balance sheet
as at 31 March 2019

	Note	2019[1] £	2018[2] £ (restated)
Fixed assets			
Property, plant and equipment	8	39,942,680	42,421,656
Current assets			
Debtors	9	57,213,414	147,501,142
Cash at bank and in hand	10	2,044,686	911,147
Deferred tax assets	6	76,858	107,815
Current liabilities			
Creditors: amounts falling due within one year	11	(2,837,516)	(60,581,877)
Deferred tax liabilities	6	(1,475,532)	(1,434,794)
Net current assets		55,021,910	86,503,433
Total assets less current liabilities		94,964,590	128,925,089
Creditors: amounts falling due after more than one year	12	(6,148,064)	(41,588,036)
Net assets		88,816,526	87,337,053
Capital and reserves			
Called up share capital	13	59,889,135	59,889,135
Other reserves	14	(498,470)	(478,551)
Profit and loss account	14	29,425,861	27,926,469
Total shareholders' funds		88,816,526	87,337,053

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

[1]The 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. The effect of the adoption of these standards is explained in Note 2.

[2]The balance sheet has been restated in order to more reliably reflect the terms of the contract in the treatment of maintenance reserve liabilities as explained in Note 2(xvii).

The financial statements on pages 8 to 27 were authorised for issue by the Board of Directors on 31 OCTOBER 2019 and were signed on its behalf by:

TIM DURHAM
Director

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

	Note	Called up share capital £	Other reserves £	Profit and loss account £	Total shareholders' funds £
Balance at 1 April 2017		59,889,135	(1,438,101)	31,405,500	89,856,534
Restatement in profit and loss account		-	-	1,733,109	1,733,109
Restated balance at 1 April 2017		59,889,135	(1,438,101)	33,138,609	91,589,643
Profit for the financial year		-	-	124,192,229	124,192,229
Other comprehensive income	14	-	959,550	-	959,550
Total comprehensive income		-	959,550	124,192,229	125,151,779
Transactions with equity holders in their capacity as ordinary equity holders:					
Dividends paid	7	-	-	(129,404,370)	(129,404,370)
Balance at 31 March 2018		59,889,135	(478,551)	27,926,469	87,337,053
Change on initial application of IFRS 9		-	-	(107,296)	(107,296)
Restated balance at 1 April 2018		59,889,135	(478,551)	27,819,173	87,229,757
Profit for the financial year		-	-	1,606,688	1,606,688
Other comprehensive income	14	-	(19,919)	-	(19,919)
Total comprehensive income		-	(19,919)	1,606,688	1,586,769
Balance at 31 March 2019		59,889,135	(498,470)	29,425,861	88,816,526

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.

The comparatives have been restated to correct an error in the treatment of maintenance reserve liabilities, as explained in note 2(xvii).

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 ("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 under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities (including derivative instruments) measured at fair value through profit and loss, and in accordance with the Companies Act 2006.

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 45(b) and 46-52 of IFRS 2 'Share-based Payment' (details of the number and weighted average exercise price of share-based payment arrangements concerning equity instruments of another group entity and how the fair value of goods or services received as determined);
- 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 to the extent that they apply to non-financial assets);
- The requirements of IFRS 7 'Financial Instruments: Disclosures';
- The requirements of paragraphs 38 of International Accounting Standards ("IAS") 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - o Paragraph 79(a)(iv) of IAS 1 (reconciliation of shares outstanding).
  - o Paragraph 73(e) of IAS 16 'Property, Plant and Equipment'.
  - o Paragraph 118(e) of IAS 38 'Intangible Assets' (reconciliation of carrying amount at beginning and end of period).
- The requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 40A to 40D and 111 of IAS 1 'Presentation of Financial Statements' (additional comparatives and capital management disclosures);
- The requirements of IAS 7 'Statement of Cash Flows';
- The requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- The requirements of paragraph 17 of IAS 24 'Related Party Disclosures' (key management compensation);
- The requirements of IAS 24 to disclose related party transactions entered into between two or more members of a group where both parties to the transaction are wholly owned within the group; and
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 'Impairment of Assets'.
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

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)

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 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(note 2(ix));
- estimates in the measurement of financial instruments measured at fair value through profit and loss, comprising derivative financial liabilities;
- judgment and an estimate of recoverability of tax receivables, deferred tax assets and measurement of current and deferred tax liabilities (note 6);
- estimates in measurement of impairment of assets held under operating leases with indicators of impairment (notes 2(x) and 8); and
-estimates in measurement of maintenance reserve liability (note 2(xv)).

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 assets and liabilities reported.

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 s 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 IFRS 9, the Company has not restated its comparative financial statements and has recorded transition adjustments to its opening balance sheet and retained earnings at 1 April 2018 for the impact of the adoption of the IFRS 9 requirements, comprising expected credit loss recognised on debtors balances.

The transition adjustment did not have a material impact and resulted in a reduction of the Company's shareholder's fund by £107,298 after tax.

The adoption of the Classification and Measurement requirements of the standard did not result in significant measurement differences when compared to those under IAS 39.

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

Note 2. Summary of significant accounting policies (continued)

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.

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 translation

Functional and presentation currency

Items included in the financial statements of foreign operations are measured using 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. The Company's foreign branch in Luxembourg has a functional currency of Euro.

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, except when deferred in equity as a result of meeting net investment in foreign operation hedge accounting requirements.

Foreign operations (branch)

The Company has a branch in Luxembourg. The results and financial position of the Company's branches that have a functional currency other than Pounds Sterling are translated into Pounds Sterling as follows:
–assets and liabilities are translated at the closing exchange rate at the date of that balance sheet,
–income and expenses are translated at actual exchange rates at the dates of the transactions, and
–all resulting exchange differences, net of gains or losses on hedging instruments, are recognised in OCI within a separate component of equity being the foreign currency translation reserve ("FCTR").

iv) Turnover and expense recognition

Turnover is measured at the fair value of the consideration received or receivable. Turnover is recognised for each major revenue stream as follows:
- Operating lease income.
- Fees from entities within the Macquarie Group for work performed on group activities, which are brought to account on an accrual basis.
- Maintenance income, as discussed in Note 2(xv).

Operating lease income

Operating lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate. Operating lease income is included within the turnover line in the profit and loss account.

All lease rentals received but unearned under the lease agreements are recorded as deferred income in creditors on the balance sheet until earned.

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

Note 2. Summary of significant accounting policies (continued)

iv) Turnover and expense recognition (continued)

Net interest income/expense

Interest income and expense is recognised using the effective interest rate ("EIR") method for financial assets and liabilities carried at amortized 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).

The calculation of EIR does not include ECL, except for financial assets which on initial recognition are classified as purchased or originated credit-impaired (POCI). Interest income on these assets is determined using a credit-adjusted EIR by discounting the estimated future cash receipts, including credit losses expected at initial recognition, through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset. Interest income on financial assets that are not classified as POCI but are subsequently classified as credit-impaired, is recognised by applying the EIR to the amortised cost carrying value (being the gross carrying value after deducting the impairment loss).

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

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) or classified as available for sale, was recognised in accordance with the EIR method. There was no specified accounting treatment under IAS 39 for financial assets that are now classified as POCI. These assets were accounted for on a consistent basis as other financial assets that were measured at amortised cost.

Other operating income

Other operating income comprises other losses and gains relating to foreign exchange differences including all realised and unrealised fair value changes on derivatives which are recognised in the profit and loss account.

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 against which to utilise those temporary differences or tax losses. Deferred tax liabilities are recognised when such temporary differences give rise to taxable amounts that are payable in future periods. Deferred tax assets and liabilities are recognised at the tax rates expected to apply when the assets are recovered, or the liabilities are settled under enacted or substantively enacted tax law

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

Note 2. Summary of significant accounting policies (continued)

v) Taxation (continued)

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

Current and deferred taxes attributable to amounts recognised in OCI are also recognised in OCI. The Company exercises judgement in determining whether deferred tax assets, particularly in relation to tax losses, are probable of recovery. The Company undertakes transactions in the ordinary course of business where the income tax treatment requires the exercise of judgement. The Company estimates the amount expected to be paid to/(recovered from) tax authorities based on its understanding of the 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.
A financial instrument is initially recognised at fair value adjusted for (in the case of instruments not carried at fair value through profit or loss ("FVTPL")) transaction costs that are incremental and directly attributable to the acquisition or issuance of the financial 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.

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 charges.

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; and
(iii) how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
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.

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)

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

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 charges in the profit and loss account.

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) Derivative instruments

Derivative instruments entered into by the Company comprise interest rate swaps. These derivative instruments are principally used for the risk management of existing financial assets and financial liabilities.

All derivatives, including those held for hedging purposes, are recognised on the balance sheet and are disclosed as an asset where they have a positive fair value at balance date or as a liability where the fair value at balance sheet date is negative.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured to their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. Movements in the fair values of derivatives are recognised in the profit and loss, unless the derivative meets the requirements for hedge accounting.

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

viii) Hedge accounting

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

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

Note 2. Summary of significant accounting policies (continued)

viii) Hedge accounting (continued)

Net investment hedges

- Nature of hedge: The hedge of changes in the Company's foreign denominated net investment in its foregin branch for changes in foreign currency rates.
- Hedged risk: Foreign exchange risk (spot) for net investment in foreign operation
- Hedged item: Foreign operations
- Hedging instrument: Interest rate swaps
- Designation and documentation: At inception of the hedge relationship, documentation is required of the Company's risk management objective and strategy for the hedge, hedging instrument, hedged item, hedged risk and how the hedge relationship will meet the hedge effectiveness requirements.
- Hedge effectiveness method: All hedge relationships are required to be assessed for hedge ineffectiveness both at the inception and throughout the hedge relationship by demonstrating that:
  - an economic relationship exists between the hedged item and the hedging instrument;
  - credit risk does not dominate the changes in value of either the hedged item or the hedging instrument; and
  - the hedge ratio is reflective of the Company's risk management approach.

The hedge effectiveness assessment is performed by a combination of qualitative and, where applicable, quantitative assessments. Changes in the hedge ratio, or rebalancing, may be required to adjust the hedged item or the hedging instrument.

- Accounting treatment for the hedging instrument: Fair value through the foreign currency translation reserve and recognised in the profit and loss account at the time at which there is a disposal of the hedged foreign operation or to non-controlling interests where there is a partial disposal of a subsidiary that remains consolidated.
- Accounting treatment for the hedged item: Foreign exchange gains and losses are recognised in the Company's foreign currency translation reserve.
- Accounting treatment for hedge ineffectiveness: Recognised in the profit and loss account to the extent to which changes in fair value of the hedging instrument exceed, in absolute terms, the change in the fair value of the hedged item.
- Accounting treatment if the hedge relationship is discontinued: The gain or loss remains recognised in the foreign currency translation reserve until such time as there is a disposal of the hedged foreign operation or is recognised in non-controlling interests where there is a partial disposal of a subsidiary that remains consolidated.
- Other accounting policies: The foreign currency basis spread of the hedging instrument, being the liquidity charge for exchanging different currencies, is excluded from the hedge designation. This spread is deferred in the Company's reserves and released to the profit and loss account at the time when the hedged exposure affects the profit and loss account.

IAS 39's hedge accounting requirements, which were applied prior to the adoption of IFRS 9, for the Company are substantially the same as that of IFRS 9 with the exception of the requirement for the hedge to be highly effective and the limit on the application of hedge accounting for financial risks in non-financial contracts.

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

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 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.

(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.

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

Note 2. Summary of significant accounting policies (continued)

x) Tangible assets

Tangible assets are stated at historical cost (which includes, where applicable, directly attributable borrowing costs) less, were applicable, accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure directly attributable to the acquisition of the asset. Tangible assets include assets leased out under operating leases.

Depreciation on all assets is calculated on a straight-line basis to allocate the difference between cost and residual values over their estimated useful lives, at the following rates:

Computer equipment	10 to 20 percent
Assets under operating leases	3 to 4 percent

Useful lives and residual values are reviewed annually and reassessed in light of commercial and technological developments. If an asset's carrying value is greater than its recoverable amount, the carrying amount is written down immediately to its recoverable amount. Adjustments arising from such items and on disposal are recognised in the profit and loss.

Gain and loss on disposal are determined by comparing proceeds with the asset's carrying amount and are recognised in the profit and loss.

xi) Provisions

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

Employee benefits

A liability for employee benefits is recognised by the entity that has the obligation to the employee. Generally, this is consistent with the legal position of the parties to the employment contract.

Liabilities for unpaid salaries, salary related costs and provisions for annual leave are recorded on the balance sheet at the salary rates which are expected to be paid when the liability is settled. Provisions for long service leave and other long-term benefits are recognised at the present value of expected future payments to be made.

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

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

xii) Performance based remuneration

Share based payments

The ultimate parent entity, MGL, operates share based compensation plans, which include awards (including those delivered through the Macquarie Group Employee Retained Equity Plan ("MEREP") granted to employees under share acquisition plans. The Company recognises a prepaid asset at grant for these awards, where MGL is reimbursed in advance. This amount is recognized as an expense over the respective vesting periods. MGL recognises a corresponding increase in equity for these equity settled awards granted to employees.

The awards are measured at the grant dates based on their fair value and using the number of equity instruments expected to vest.

Profit share remuneration

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

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

Note 2. Summary of significant accounting policies (continued)

xiii) Cash at bank

Cash at bank comprises cash balances and call deposits with qualifying financial institutions. Deposits are repayable on demand if they can be withdrawn at any time without notice and without penalty or if a maturity or period of notice of not more than 24 hours or one working day has been agreed.

xiv) Leases

Leases where the lessee has substantially all the risks and rewards incidental to ownership of the leased assets are classified as finance leases. All other leases are operating leases.

Leases entered into by the Company as lessee are operating leases. The total fixed payments made under operating leases are charged to the profit and loss on a straight-line basis over the period of the lease.

Purchased assets, where the Company is the lessor under operating leases, are carried at cost and depreciated over their useful lives which vary depending on each class of asset and ranges from 24 to 30 years.

xv) Maintenance reserve

Under the provisions of all of the leases, lessees are responsible for maintenance and repairs, including major maintenance events ("MMEs") over the term of the lease. The Company is frequently involved in the procurement of MMEs, either through the lessee or directly from a maintenance provider. Where the MMEs are procured through the lessee, the Company will typically agree the level of lessor contribution to the MMEs at the commencement of the lease. Where the Company contracts directly with the maintenance provider, the cost is the responsibility of the Company.

To assist in funding MMEs the Company typically collects periodic cash payments from lessees, in addition to lease rentals, which are deferred and recorded as a contract liability. These payments are calculated by considering current cost estimates of MMEs over the economic useful life of the assets, taking into account actual and forecast usage of the asset. In some cases the lease rentals implicitly include an amount for the cost of MMEs and this portion of the lease rentals is also recorded as a liability in the balance sheet. Under certain leases, periodic cash payments are not collected and under these leases the lessee is either directly responsible for funding the MMEs or, where the MMEs occur after the expiration of the lease, the lessee is obligated to make an end of lease payment representing its consumption of the estimated value of the whole life maintenance costs. When the Company makes a payment for MMEs, the maintenance reserve liability is reduced to reflect satisfaction of the performance obligation. For fleets where there is no obligation to continue ongoing leasing of the rolling stock to the end of its useful economic life, there is no future obligation for MMEs. No liability is recorded as a maintenance reserve for these fleets as there is no performance obligation in respect of the provision of maintenance. For those fleets, all cash received from the lessee is recognised as operating lease income.

xvi) Called up share capital

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

xvii) Comparatives

Where necessary, comparative information has been restated to conform to changes in presentation in the current year.

The financial statements for the year ended 31 March 2018 have been restated to release a maintenance reserve liability on rolling assets to the profit and loss account, in order to more reliably reflect the terms of the contract. Accordingly, £2,166,386 of maintenance reserves (previously recorded as payable to other Macquarie Group undertakings) were derecognised and the profit and loss account increased by £2,166,386 as at 1 April 2017. The additional income recognised will be subject to UK corporation tax and accordingly £433,277 of corporation tax payable was recognised and the profit and loss account decreased by £433,277. The deferred tax assets and deferred tax liabilities have been grossed up as of 31 March 2018 by £107,815.

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

	2019	2018
	£	£

Note 3. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after (crediting)/charging:

	2019 £	2018 £
Wages and salaries	-	568,576
Social security costs	-	69,032
Share based payment costs	-	39,830
Staff costs	-	677,438
Operating lease income	(5,778,713)	(24,629,044)
Foreign exchange gains	(241,852)	(596,763)
Depreciation expense	1,752,287	7,006,375
Impairment expense on rolling assets	726,610	-
Service fees paid to other Macquarie Group undertakings	1,220,256	3,392,419
Gain on disposal of tangible assets	-	(112,314,159)
Rent and occupancy costs	26,081	76,488
Fees payable to the Company's auditors for the audit of the Company	25,902	22,051

The Company had nil employees during the year (2018: 1).

Note 4. Interest receivable and similar income

	2019 £	2018 £
Interest receivable from other Macquarie Group undertakings	2,965,290	3,722,090
Total interest receivable and similar income	2,965,290	3,722,090

Note 5. Interest payable and similar charges

	2019 £	2018 £
Interest payable to other Macquarie Group undertakings	2,332,983	3,694,324
Total interest payable and similar charges	2,332,983	3,694,324

Note 6. Taxation

i) Tax expense included in profit or loss

	2019 £	2018 £
Current tax		
UK corporation tax at 19% (2018: 19%)	(282,263)	(474,254)
Adjustments in respect of previous periods	17,636	(152,490)
Foreign tax incurred	(15,218)	(1,276,840)
Current tax	(279,844)	(1,903,583)
Deferred tax		
Origination and reversal of timing differences	(80,136)	(974,350)
Adjustments in respect of previous periods	-	68,713
Effect of changes in tax rates	8,435	(188,925)
Total deferred tax	(71,700)	(1,094,562)
Tax on profit on ordinary activities	(351,545)	(2,998,146)

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

	2019 £	2018 £
Note 6. Taxation (continued)		
ii) Tax (expense)/income included in other comprehensive income		
Foreign currency translation reserve	(20)	960
Total tax benefit relating to items of other comprehensive income	(20)	960

iii) Reconciliation of effective tax rate

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

	2019 £	2018 £
Profit before taxation	1,958,233	127,190,374
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	(372,064)	(24,166,171)
Effects of:		
Adjustments in respect of previous periods	17,636	(83,777)
Non deductible expenses	(861)	-
Change in tax rate	8,435	(188,925)
Foreign tax incurred	(15,218)	(1,276,840)
Non assessable income	10,527	22,717,567
Total tax on profit on ordinary activities	(351,545)	(2,998,146)

The tax rate for the current year is consistent with the prior year. The UK corporation tax rate was reduced from 20% to 19% with effect from 1 April 2018, and will further reduce to 17% from 1 April 2020. Deferred tax has been measured at 17%.

iv) Deferred tax comprises timing differences attributable to:

	2019 £	2018 £
Deferred tax assets		
Financial instruments & revaluations	76,858	107,815
Total deferred tax assets	76,858	107,815
Deferred tax liabilities		
Fixed assets	(1,475,532)	(1,434,795)
Total deferred tax liabilities	(1,475,532)	(1,434,795)
Deferred tax liabilities	(1,398,674)	(1,326,980)

v) Reconciliation of the Company's movement in deferred tax

	2019 £	2018 £
Balance at the beginning of the financial year	(1,326,980)	(232,417)
Adjustment to opening deferred tax assets due to transition to IFRS 9	5	-
Adjustment in respect of previous periods	-	68,713
Deferred tax charged to profit and loss account for the period	(80,136)	(974,350)
Effect of changes in tax rates	8,437	(188,926)
Balance at the end of the financial year	(1,398,674)	(1,326,980)

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

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

	2019 £	2018 £
Note 7. Dividends and distributions paid or provided for		
Dividends (and distributions) paid		
Dividend paid	-	129,404,370
Total dividends paid	-	129,404,370
Note 8. Tangible assets		
Computer equipment		
Cost	18,437	18,776
Less accumulated depreciation	(18,437)	(18,776)
Total computer equipment	-	-
Freight rolling stock		
Cost	2,176,817	-
Less accumulated depreciation	(491,570)	-
Less impairment	(347,349)	-
Total assets under operating leases	1,337,898	-
Assets under operating leases		
Cost	49,425,621	51,602,517
Less accumulated depreciation	(10,441,578)	(9,180,861)
Less impairment	(379,261)	-
Total assets under operating leases	38,604,782	42,421,656
Total property, plant and equipment	39,942,680	42,421,656

A portfolio of freight rolling stock was impaired in the current year by £726,610 as a result of a reduction in demand for assets of this class. This stock was impaired to its recoverable amount, determined by applying a market-based assessment of fair value less costs of disposal. The value was determined using inputs in Level 2 of the fair value hierarchy, most significantly assumptions regarding prices for similar assets.

The future minimum lease payments expected to be received under non-cancellable leases are as follows:

	2019 £	2018 £
Not later than one year	5,306,808	5,693,931
Later than one year and not later than five years	5,523,604	10,830,413
Total future minimum lease payments receivable	10,830,412	16,524,344

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

	2019 £	2018 £
Note 9. Debtors		
Amounts owed by other Macquarie Group undertakings[1]	56,969,159	147,454,386
Other debtors	244,255	46,756
Total debtors	57,213,414	147,501,142

[1]Amounts owed from other Macquarie Group undertakings are unsecured and have no fixed date of repayment. The Company derives interest on intercompany balances 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%. (31 March 2018: LIBOR plus 1.15% and LIBOR plus 1.36%). At the reporting date, amounts owed from other Macquarie Group undertakings are presented net of ECL allowance of £118,889 (2018: £ nil).

	2019 £	2018 £
Note 10. Cash at bank and in hand		
Cash at bank	2,044,686	911,147
Total cash at bank and in hand	2,044,686	911,147

	2019 £	2018 £ (Restated)
Note 11. Creditors: amounts falling due within one year		
Amounts owed to Macquarie Group undertakings[1]	55,640	57,230,173
Accruals and deferred income	221,339	222,500
Derivative liabilities[2]	457,567	638,345
Other creditors	3,921	255,736
Trade creditors	39,291	-
Taxation	2,059,758	2,235,123
Total creditors: amounts falling due within one year	2,837,516	60,581,877

[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 other Macquarie Group undertakings at market rates and at 31 March 2019 the rate applied was LIBOR plus 1.93% (31 March 2018: LIBOR plus 1.36%).

[2]Further information regarding derivative liabilities is given in Note 19.

	2019 £	2018 £
Note 12. Creditors: amounts falling due after more than one year		
Amounts owed to Macquarie Group undertakings[1]	-	41,588,036
Maintenance reserve[2]	6,148,064	-
Total creditors: amounts falling due within one year	6,148,064	41,588,036

[1]Amounts owed to other Macquarie Group undertakings are unsecured. The long term loan held with Macquarie Euro Limited of £36,097,307 was settled on 6 December 2018. The Company incurred interest on amounts owed to other Macquarie Group undertakings at market rates and at 6 December 2018 the rate applied was LIBOR plus 1.36%. The maintenance reserve balances are settled when the related claims are reimbursed to lessees or when the lease terminates. A restatement of £2,166,386 of maintenance reserves (previously recorded as payable to other Macquarie Group undertakings) were derecognised and the profit and loss account increased by £2,166,386 as at 1 April 2017 as explained in Note 2(xvii).

[2]Maintenance reserves were previously recorded as payable to other Macquarie Group undertakings.

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

Note 13. Called up share capital

	2019 Number of shares	2018 Number of shares	2019 £	2018 £
Ordinary share capital				
Opening balance of fully paid ordinary shares at £1 each	**59,889,135**	59,889,135	**59,889,135**	59,889,135
Closing balance of fully paid ordinary shares	**59,889,135**	**59,889,135**	**59,889,135**	**59,889,135**

Note 14. Other reserves and profit and loss account

Other reserves

Foreign currency translation reserve		
Balance at the beginning of the financial year	**(478,551)**	(1,438,101)
Currency translation differences arising during the financial year, net of gains or losses on hedging instruments	**(19,919)**	959,550
Balance at the end of the year	**(498,470)**	(478,551)

	2019 £	2018 £ (Restated)
Profit and loss account		
Balance at the beginning of the financial year	**27,926,469**	31,405,500
Restatement in profit and loss account	**-**	1,733,109
Change on initial application of IFRS 9 (Note 2)	**(107,296)**	-
Restated balance as at 1 April 2018	**27,819,173**	33,138,609
Profit for the financial year	**1,606,688**	124,192,230
Distributions paid or provided	**-**	(129,404,370)
Balance at the end of the year	**29,425,861**	27,926,469

A restatement of £2,166,386 of maintenance reserves (previously recorded as payable to other Macquarie Group undertakings) were derecognised and the profit and loss account increased by £1,733,109 which is made up of gross income of £2,166,386 and the tax effect thereon of £433,277, as at 1 April 2017 as explained in Note 2(xvii).

Note 15. 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 20.

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 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. 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.

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

	2019	2018
	£	£
Note 18. Lease commitments		
Non-cancellable operating leases expiring:		
Not later than one year	-	32,013
Total operating lease commitments	-	32,013

Operating leases relate to office space. The future lease commitments disclosed are net of any rental incentives received.

Note 19. Derivative financial instruments

Objectives of holding derivative financial instruments

The Company uses derivatives to economically hedge its exposure to foreign currency movements on its net investment in its branch. Certain derivative transactions may qualify as net investment in foreign operations hedges, if they meet the appropriate strict hedge criteria outlined in note 2(vii) – Summary of significant accounting policies: Hedge accounting.

Net investment hedges: The Company's net investment hedges consist of:

– interest rate swaps used to hedge against its exposure to foreign currency movements on its net investment in its branch.

As at 31 March 2019, the fair value of outstanding derivatives held by the Company and designated as a net investment hedge was £457,567 negative value (2018: £638,345 negative value).

Note 20. Ultimate parent undertaking

At 31 March 2019, the immediate parent undertaking of the Company is Macquarie Asset Finance Holdings Limited.

The ultimate parent undertaking and controlling party of the Company is Macquarie Group Limited ("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 21. Events after the reporting year

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