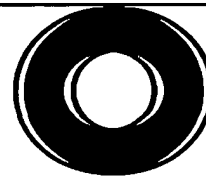


Macquarie European Rail Limited

COMPANY NUMBER 08253782

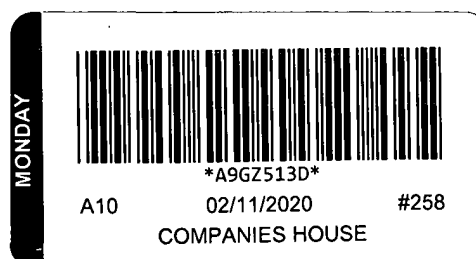
Directors' Report and Financial Statements
for the financial year ended 31 March 2020



MACQUARIE

The Company's registered office is:

Ropemaker Place
28 Ropemaker Street
London EC2Y 9HD
United Kingdom



Macquarie European Rail Limited

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Macquarie European Rail Limited

Company Number 08253782

Directors' Report for the financial year ended 31 March 2020

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:

As the Company meets the qualifying conditions under section 382 of the Companies Act 2006 (the "Act"), the Directors have taken advantage of the exemption provided in sections 414B (as incorporated into the Act by the Strategic Report and Directors' Report Regulations 2013) for the preparation of a Strategic Report.

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:

S Alison	(appointed on 16 October 2020)
A Byatt	(appointed on 23 April 2020)
T Durham	(resigned on 23 April 2020)
B O'Donnell	(appointed on 14 November 2019; resigned on 16 October 2020)
M Sims	(resigned on 14 November 2019)
J Watkinson-Hall	(appointed on 18 October 2012)
D Weightman	(appointed as an alternate director to J Watkinson-Hall on 12 February 2020)

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

Principal activities

The principal activity of the Company during the financial year ended 31 March 2020 was the lease of UK freight and passenger rail assets under operating leases.

The Company operates a branch in Luxembourg which was originally established to acquire and service the Northern European rail assets. In the previous financial years the Northern European rail assets were sold.

The Company's rail assets were sold subsequent to the year end on 23 April 2020. The assets were revalued at fair value and an impairment charge of £1,629,413. It is the intention of the Directors to liquidate the entity. Accordingly, the going concern basis of preparation is not appropriate for the Company and the financial statements have been prepared on a basis other than going concern. Additionally, because the leasing of rail assets was the primary operation of the entity, the operations are considered discontinued and have been presented as such in the financial statements.

Results

The profit for the financial year ended 31 March 2020 was £900,167 (2019: £1,606,688).

Dividends paid or provided for

No interim dividends were paid or provided for during the current financial year (2019: £0).
No final dividend has been proposed.

State of affairs

On 15 February 2020 the Company entered an agreement to sell all of its UK freight and passenger rail assets and accordingly has classified those assets as held for sale.

It is the intention of the Directors to liquidate Macquarie European Rail Limited. Accordingly, the going concern basis of preparation is not appropriate for the Company and the financial statements have been prepared on a basis other than going concern. Additionally, because the leasing of rail assets was the primary operation of the entity, the operations are considered discontinued and have been presented as such in the financial statements.

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.

Directors' Report**for the financial year ended 31 March 2020 (continued)****Review of operations**

The profit for the financial year ended 31 March 2020 was £900,167, a decrease of 44 per cent from the profit of £1,606,688 in the previous year.

Operating loss for the financial year ended 31 March 2020 was -£436,680, a decrease of 133 per cent from the operating profit £1,325,926 the previous year.

Total operating expenses for the financial year ended 31 March 2020 were £5,979,209, an increase of 29 per cent from £4,628,816 in the previous year.

The Luxembourg branch contributed a loss of £88,416 to the overall profit on ordinary activities before taxation of £1,301,263. In the prior financial year the branch contributed a profit of £26,635 to the overall profit on ordinary activities before taxation of £1,958,233.

As at 31 March 2020, all the UK freight and passenger rail assets amounting to £36,782,611 are classified as held for sale.

Events after the reporting date

On 23 April 2020 the Company sold the UK Rail freight portfolio of locomotives and wagons to a buyer outside the Macquarie Group at a fair value of £29.9m for no gain or loss. Further information is given in Notes 8, 12 and 21.

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 2020 not otherwise disclosed in this report.

Likely developments, business strategies and prospects

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

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

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

There will not be any significant impact relating to IBOR reform as the entity is a discontinued operation.

Directors' Report
for the financial year ended 31 March 2020 (continued)

Likely developments, business strategies and prospects (continued)
Coronavirus (COVID-19)

COVID-19, which is a respiratory illness caused by a new virus, was declared a world-wide pandemic by the World Health Organisation in March 2020. COVID-19, as well as measures to slow the spread of the virus, have since had a significant impact on global economies and equity, debt and commodity markets.

A robust risk management framework continues to be applied and RMG continues to monitor the impact of COVID-19 on the Company's risk profile. Non-financial risks emerging from global movement restrictions, and remote working by our staff, counterparties, clients and suppliers, are being identified, assessed, managed and governed through timely application of the Company's risk management framework. Accounting considerations on Company's results is disclosed under Note 2.

There will not be any significant impact relating to COVID-19 as the entity is a discontinued operation.

Brexit

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 UK government and the EU Commission subsequently agreed an Article 50 Withdrawal Agreement, pursuant to which a transition period commenced which will last until 31 December 2020. The economic, regulatory and legal environment as a result of Brexit will depend on the nature of the post-Brexit arrangements, and the Company continues to assess the possible impacts of Brexit and its strategic options to mitigate those impacts. If the post-Brexit environment allows continued access to EEA markets by UK firms, the Company may seek to utilise those arrangements. In the absence of any such arrangements, it is envisaged the Company will wind down any EEA branches currently in operation, but will continue to be able to work strategically with its EU-based affiliates within the Macquarie Group.

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

Given that it is the intention of the Directors to liquidate Macquarie European Rail Limited, the going concern basis of preparation is not appropriate for the Company and the financial statements have been prepared on a basis other than going concern. 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 2020 (continued)

Statement of Directors' responsibilities in respect of the financial statements

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

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

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

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 financial year unless the Directors or the members of the Company resolve to terminate their appointment. The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and, as at the date of these financial statements. As it is the intention of the Directors to liquidate Macquarie European Rail Limited, should the liquidation be successful, the auditors will not be required.

The financial statements on pages 8 to 28 were approved by the Board of Directors on 28 October 2020 and signed on its behalf by



Andrew Byatt
Director

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 2020 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 Directors' Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 March 2020, 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.

Emphasis of matter - financial statements prepared on a basis other than going concern

In forming our opinion on the financial statements, which is not modified, we draw attention to note 2 to the financial statements which describes the directors' reasons why the financial statements have been prepared on a basis other than going concern.

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 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.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 March 2020 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 Directors' Report.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements 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.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



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

Macquarie European Rail Limited

Financial Statements

Profit and loss account for the financial year ended 31 March 2020

	Note	Discontinued operations	
		2020 £	2019 £
Turnover	3	5,542,529	5,954,742
Administrative expenses	3	(2,093,730)	(1,763,100)
Other operating expenses	3	(3,885,479)	(2,865,716)
Operating (Loss)/ Profit		(436,680)	1,325,926
Interest receivable and similar income	4	2,075,647	2,965,290
Interest payable and similar charges	5	(337,704)	(2,332,983)
Profit on ordinary activities before taxation		1,301,263	1,958,233
Tax on profit on ordinary activities	6	(401,096)	(351,545)
Profit for the financial year		900,167	1,606,688

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

Macquarie European Rail Limited

Statement of comprehensive income for the financial year ended 31 March 2020

	Note	2020 £	2019 £
Profit for the financial year		900,167	1,606,688
Exchange differences on translation of foreign operations	15	18,598	(19,919)
Other comprehensive income/(expense)		18,598	(19,919)
Total comprehensive income		918,765	1,586,769
Total comprehensive income attributable to ordinary equity holders of the Company		918,765	1,586,769

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

Macquarie European Rail Limited

Balance sheet as at 31 March 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	7	-	39,942,680
Current assets			
Debtors	9	64,222,667	57,213,414
Cash at bank	10	856,655	2,044,686
Held for sale asset: rail cars	8	36,782,611	-
Current liabilities			
Deferred tax liabilities	6	(1,417,588)	(1,398,674)
Creditors: amounts falling due within one year	11	(3,878,027)	(2,837,516)
Held for sale liabilities: maintenance reserve	12	(6,831,027)	-
Net current assets		89,735,291	55,021,910
Total assets less current liabilities		89,735,291	94,964,590
Creditors: amounts falling due after more than one year	13	-	(6,148,064)
Net assets		89,735,291	88,816,526
Capital and reserves			
Called up share capital	14	59,889,135	59,889,135
Other reserves	15	(479,872)	(498,470)
Profit and loss account	15	30,326,028	29,425,861
Total shareholders' funds		89,735,291	88,816,526

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

The financial statements on pages 8 to 28 were authorised for issue by the Board of Directors on 28 October 2020 and were signed on its behalf by:



Andrew Byatt
Director

Macquarie European Rail Limited

Statement of changes in equity for the financial year ended 31 March 2020

	Note	Called up share capital £	Other reserves £	Profit and loss account £	Total shareholders' funds £
Balance at 1 April 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 expense	15	-	(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
Profit for the financial year		-	-	900,167	900,167
Other comprehensive income	15	-	18,598	-	18,598
Total comprehensive income		-	18,598	900,167	918,765
Balance at 31 March 2020		59,889,135	(479,872)	30,326,028	89,735,291

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

Macquarie European Rail Limited

Notes to the financial statements for the financial year ended 31 March 2020

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.

Given it is the intention of the Directors to liquidate Macquarie European Rail Limited, the going concern basis of preparation is not appropriate for the Company and the financial statements have been prepared on a basis other than going concern, in accordance with the Companies Act 2006. No adjustments were necessary to reduce assets to their realisable values or to provide for liabilities arising from the decision.

The Company's rail assets were sold subsequent to year end and since the leasing of rail assets was the primary operation of the entity, the operations are considered discontinued and have been presented as such in the financial statements. The rail assets and liabilities have been classified as held for sale, all balances are considered current at the balance sheet date, and have been measured at net recoverable cost being the lower of cost or fair value less cost of disposal.

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 except for the following items:

- financial instruments (including derivatives) required to be measured at fair value through profit or loss (FVTPL);
- non-current assets and disposal groups that have been classified as held for sale and where the disposal group has been written down to its fair value less costs to sell; and
- certain other non-financial assets and liabilities that are measured at fair value.

The financial statements contain information about the Company as an individual company.

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 paragraph 33(c) of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' (details of cash flows of discontinued operations);
- The requirements of IFRS 7 'Financial Instruments: Disclosures';
- The requirements of paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities to the extent that they apply to non-financial assets);
- The requirements of paragraphs 38 of International Accounting Standards ("IAS") 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - Paragraph 79(a)(iv) of IAS 1 (reconciliation of shares outstanding);
 - Paragraph 73(e) of IAS 16 'Property, Plant and Equipment'.
- The requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 40A to 40D 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 2020 (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 determining the net recoverable amount of assets and liabilities which is the lower of cost or fair value less cost of disposal;
- judgement in determining the appropriate business model for a group of financial assets which includes determining the level at which the business model condition is applied and whether past or expected sales activity is consistent with a held to collect business model (note 2(vi));
- judgement in the choice of inputs, estimates and assumptions used in the measurement of Expected Credit Loss (ECL) including the determination of significant increase in credit risk (SICR), forecasts of economic conditions and the weightings assigned thereto (note 2(viii));
- estimates in fair value of assets and liabilities including determination of non-recurring fair values and accounting for day 1 profits or losses for financial instruments (Note 2(vi));
- estimates in recoverability of tax receivables, deferred tax assets and measurement of current and deferred tax liabilities can require significant judgement, particularly where the recoverability of such tax balances relies on the estimation of future taxable profits and management's determination of the likelihood that uncertain tax positions will be accepted by the relevant taxation authority (note 6);
- estimates in measurement of impairment of assets held under operating leases with indicators of impairment (notes 2(xvi));
- judgement in recognition and measurement of provisions related to actual and potential claims, and supplemental rent, maintenance liabilities and end of lease compensation (note 2(x)); and
- estimates in measurement of maintenance reserve liability (note 2(xvi)).

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

Coronavirus (COVID-19) impact

Background

The onset of COVID-19 resulted in the application of further judgement within identified risk areas discussed further below. Given the dynamic and evolving nature of COVID-19, limited recent experience of the economic and financial impacts of such a pandemic, and the short duration between the declaration of the pandemic and the preparation of these financial statements, changes to the estimates and outcomes that have been applied in the measurement of the Company's assets and liabilities may arise in the future. Other than adjusting events that provide evidence of conditions that existed at the end of the reporting period, the impact of events that arise after the reporting period will be accounted for in future reporting periods.

Processes applied

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

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

Notes to the financial statements for the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

i) Basis of preparation (continued)

Consideration of the statements of financial position and further disclosures

Key statements of financial position sheet items and related disclosures that have been impacted by COVID-19 were as follows:

Derivative assets and liabilities

Given recent market volatility, the Company reviewed the appropriateness of the inputs to its valuations at balance date. The impact of changes of inputs to the valuations has also been considered in terms of the classification of exposures in the fair value hierarchy and transfers within the fair value hierarchy.

Held for sale assets and liabilities

Held for sale assets and liabilities include rail assets and maintenance reserve liabilities for which either the conditions precedent relating to the disposal were met or the assets were disposed post the balance date. For these and other items that are classified as held for sale, the appropriateness of the held for sale classification at the reporting date was reassessed and affirmed. Further, the impact of COVID-19 on the carrying value of the assets and liabilities that were classified as held for sale was assessed. Refer to Note 8 and Note 12.

Loans and receivables

In response to COVID-19 the Company undertook a review of wholesale credit portfolios, loan to other related entities and other financial asset exposures and the ECL for each. The review considered the macroeconomic outlook, customer credit quality, the type of collateral held, exposure at default, and the effect of payment deferral options as at the reporting date. The ECL methodology, SICR thresholds, and definition of default remained consistent with prior periods. The impact of COVID-19 on the credit risk management disclosures, notably in relation to credit quality and collateral and other credit enhancements was also considered. Refer to Note 9.

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

The new accounting standards IFRS 16 Leases, amendments to accounting standards IAS 23 Borrowing costs and IAS 19 Employee benefits; and IFRS 23 Interpretation 23 Uncertainty over Income Tax Treatment that are effective for the year ended 31 March 2020 did not have a material impact on the Company's financial statements.

ii) Going concern

The Directors intend to liquidate the Company, and therefore will not continue in operational existence for the foreseeable future. The Company therefore has prepared the financial statements on a basis other than a going concern. Non current assets classified as held for sale are recorded at the lower of carrying amount and fair value less cost to sell.

iii) Foreign currency translation

Functional and presentation currency

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

Notes to the financial statements for the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

iii) Foreign currency translation(continued)

Transactions and balances

Foreign currency transactions are translated into the Company's functional currency using the exchange rates prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the net trading income (see Note 19).

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

For the detailed policy on Financial instruments refer Note 2(vi).

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) Revenue and expense recognition

Net operating lease income

Operating lease income is recognised on a straight-line basis over the lease term. It comprises operating lease income and supplemental rent and is presented net of the related depreciation expense.

Unguaranteed residual values in respect of operating leases are reviewed regularly and any impairments are charged to the profit and loss account.

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.

Notes to the financial statements for the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

Other operating income/ (expenses)

Other operating income/(expenses) comprises of net trading income, investment income, and other income.

Net trading income comprises gains and losses related to trading assets/liabilities and derivatives including all realised and unrealised fair value changes, and foreign exchange differences.

Expenses

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

v) Taxation

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Current tax assets and liabilities are offset when there is a legally enforceable right to offset and an intention to either settle on a net basis or realise the asset and settle the liability simultaneously.

Current and deferred taxes attributable to amounts recognised in OCI are also recognised in OCI.

The Company exercises judgement in determining whether deferred tax assets, particularly in relation to tax losses, are probable of recovery.

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

The Company undertakes transactions in the ordinary course of business where the income tax treatment requires the exercise of judgement. The Company estimates the amount expected to be paid to/ (recovered from) tax authorities based on its understanding and interpretation of the law. Uncertain tax positions are presented as current or deferred tax assets or liabilities.

Value-Added Tax

Where VAT is not recoverable from tax authorities, it is either capitalised to the balance sheet as part of the cost of the related asset or is recognised in the profit and loss account. Where VAT is recoverable from or payable to tax authorities, the amount is recorded as a separate asset or liability in the balance sheet.

Notes to the financial statements for the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

(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 and is adjusted for (in the case of instruments not classified at FVTPL) transaction costs that are incremental and directly attributable to the acquisition or issuance of the financial instrument, and fees that are an integral part of the effective interest rate. Transaction costs and fees earned relating to financial instruments carried at FVTPL are recorded in the profit and loss account.

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

Financial instruments arising in multiple transactions are accounted for as a single arrangement if this best reflects the substance of the arrangement. Factors considered in this assessment include whether the financial instruments:

- are entered into at the same time and in contemplation of one another
- have the same counterparty
- relate to the same risk
- there is no apparent economic need or substantive business purpose for structuring the transactions separately that could not also have been accomplished in a single transaction
- consideration of whether each of the financial instruments has its own terms and conditions and each may be transferred or settled separately.

De-recognition of financial instruments

Financial assets

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

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

A financial asset is transferred if, and only if, the Company i) transfers the contractual rights to receive the cash flows of the financial asset, or ii) retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement where:

- The Company is not obligated to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset,
- The Company is prohibited from selling or pledging the original asset other than as security to the eventual recipients, and
- The Company is obligated to remit any cash flows it collects on behalf of the eventual recipients without material delay.

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

Financial liabilities

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

Gains and losses arising from the derecognition of debt financial assets or financial liabilities that are subsequently measured at amortised cost are recognised in other income as part of other operating income and charges, while those arising from the derecognition of debt financial assets, that are subsequently measured at FVTPL or at FVOCI, or financial liabilities, that are subsequently measured at FVTPL, are recognised as investment income as part of other operating income and charges.

Notes to the financial statements for the financial year ended 31 March 2020 (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 senior management personnel and senior executives;
- (ii) the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- (iii) how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

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")

The contractual cash flows of a financial asset are assessed to determine whether these represent solely payments of principal and interest on the principal amount outstanding. This includes an assessment of whether cash flows reflect primarily consideration for the time value of money and credit risk of the principal outstanding. Interest may also include consideration for other basic lending risks and costs.

Amortised cost

A financial asset is subsequently measured at amortised cost using the EIR method 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 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 FVOCI are measured at FVTPL.

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

- financial assets that are held for active trading. 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
- 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.

Equity financial assets are measured at FVTPL.

Changes in the fair value of financial instruments held for the purpose of trading 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 expenses.

The interest component of financial assets that are measured at DFVTPL and FVTPL is recognised in interest income.

Notes to the financial statements for the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

(vi) Financial instruments (continued)

Classification and subsequent measurement (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.

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.

All derivative liabilities are classified as held for the purpose of trading, except those that are designated as hedging instruments in qualifying hedge relationships and are classified as FVTPL.

The changes in fair value of financial liabilities that are measured at FVTPL are recognised as part of net trading income. Changes in the fair value of financial liabilities that are classified as DFVTPL are recognised in other income as part of other operating income and -expenses, with the exception of changes in fair value relating to changes in the Company's own credit risk that is presented separately in OCI and is not subsequently reclassified to profit or loss. The interest component of financial liabilities that are measured at FVTPL or DFVTPL is recognised in interest expense.

Offsetting of financial instruments

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

vii) Derivative instruments and hedging activities

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.

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

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

The accounting for derivatives is subject to the application of the day 1 profit or loss policy as described in Note 2(vi) Financial instruments.

The Company applies trade date accounting to the recognition and derecognition of derivative financial instruments.

Notes to the financial statements for the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

viii) 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.

(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 and supportable information that includes FLI.

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

(iii) Stage III – Lifetime ECL credit-impaired

Financial assets are classified as stage III where they are determined to be credit impaired, which generally matches the APRA definition of default. This includes exposures that are at least 90 days past due and where the obligor is unlikely to pay without recourse against available collateral.

The ECL for credit impaired financial assets is generally measured as the difference between the contractual and expected cash flows from the individual exposure, discounted using the EIR for that exposure. For credit-impaired exposures that are modelled collectively, ECL is measured as the product of the lifetime PD, LGD and EAD, adjusted for FLI.

Presentation of loss allowances

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

- Lease receivables, contract receivables and other assets measured at amortised cost – as a deduction to the gross carrying amount.

Impairment of tangible assets

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

Notes to the financial statements for the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

ix) Tangible assets

Tangible assets are stated at historical cost (which includes, where applicable, directly attributable borrowing costs) less, where 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 to allocate the difference between cost and residual values over the estimated useful life is calculated on the following bases:

–straight-line basis for all other assets.

The asset leased out under operating leases is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Annual depreciation rates are summarised below:

Tangible assets	Depreciation Rates
Assets under operating leases	3 to 4 percent

Useful lives, residual values and depreciation methods are reviewed annually and reassessed in light of commercial and technological developments. Gains and losses on disposal are determined by comparing the proceeds with the asset's carrying amount and are recognised as part of other operating income and expenses in the profit and loss account.

x) Provisions contingent liabilities

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.

xi) Cash and cash equivalents

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

xii) Leases

Determine whether an arrangement contains a lease

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

(a) Accounting where the Company is a lessor

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 classified as operating leases, which reflects a constant rate of return.

Operating lease

Where the Company is the lessor under an operating lease, the underlying asset is carried at cost and depreciated over its useful life in accordance with the rates specified in Note 2(ix) Tangible Assets. Operating lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate. Assets leased out under operating leases are included in tangible assets.

xiii) Due to/ from related entities

Transactions between the Company and related entities principally arise from the provision of banking and other financial services, lending arrangements and acceptance of funds on deposit, intercompany services and transactions and the provision of financial guarantees. Refer to Note 1(iv) Revenue and expense recognition and Note 2(vi) Financial instruments.

Financial assets and financial liabilities are presented net where the offsetting requirements are met (Note 2(vi)), such that the net amount is reported in the balance sheet.

Notes to the financial statements for the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

xiv) Called up share capital

Ordinary shares and other similar instruments 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.

xv) Comparatives

Where necessary, comparative information has been restated to conform to changes in presentation in the current year. The Company made a change for depreciation which is included in other operating expenses, and in the prior year financial statements it was included in administrative expenses. The Company made a change for other revenue and supplemental rent on maintenance which is included in operating expenses, and in the prior year financial statements it was included in revenue.

(xvi) Non-current assets and liabilities of disposal groups classified as held for sale

This category includes interests in businesses, subsidiaries, associates and joint ventures and other assets and liabilities, and subsidiaries that are acquired exclusively with a view to sell or distribute (disposal group) for which their carrying amount will be recovered principally through a sale or distribution transaction rather than continuing use.

These assets and disposal groups are classified as held for sale when they are available for immediate sale in their present condition and it is highly probable that they will be sold or distributed within 12 months. Where there is a planned partial disposal of a subsidiary resulting in loss of control, but the Company retains an interest in the disposed subsidiary, the entire carrying value of the subsidiary's assets and liabilities are classified as held for sale.

Non-current assets and liabilities of disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Equity accounting, depreciation and amortisation are suspended when the held for sale criteria is satisfied.

An impairment loss is recognised for any initial or subsequent write down of the asset to fair value less costs to sell and is recognised in the profit and loss account. A gain is recognised for any subsequent increase in fair value less costs to sell, limited to the cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of sale is recognised at the date of sale.

Financial assets and liabilities that are classified as held for sale are measured in accordance with the Company's financial instruments' policies.

Macquarie European Rail Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2020

	2020	2019
	£	£

Note 3. Profit on ordinary activities before taxation

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

Turnover by category:

Operating lease income	5,448,028	5,778,713
Service fees received from other Macquarie Group undertakings	94,501	176,029
Total turnover	5,542,529	5,954,742

Administrative expenses

Auditors' remuneration

Fees payable to the Company's auditors for the audit of the Company ⁽¹⁾	(73,902)	(25,902)
Credit impairment charges	88,537	(4,557)
Other administrative expenses	(457,776)	(359,578)
Rent and occupancy costs	(3,308)	(26,081)
Resource charge from Macquarie Group undertakings	(101,538)	(97,921)
Service fees paid to other Macquarie Group undertakings	(1,571,675)	(1,214,946)
Staff Costs ⁽²⁾	25,932	(34,115)
Total Administrative expenses	(2,093,730)	(1,763,100)

¹Fees payable to the Company's auditors for current year includes £42,807 relating to previous year.

²Staff costs in the current year relate to a payroll tax refund.

Other operating income/(expenses)

Foreign exchange gains/(losses)	(6,372)	241,852
Net trading loss	(463,408)	(238,914)
Depreciation charges	(1,530,733)	(1,752,287)
Impairment on operating leases	(1,629,413)	(726,610)
Other revenue	-	(92,215)
Supplemental rent on maintenance	(255,553)	(297,542)
Total Other operating income/(expenses)	(3,885,479)	(2,865,716)

The Company had no employees during the year (2019: nil).

Note 4. Interest receivable and similar income

Interest receivable from other Macquarie Group undertakings	2,075,647	2,965,290
Total interest receivable and similar income	2,075,647	2,965,290

Note 5. Interest payable and similar charges

Interest payable to other Macquarie Group undertakings	(337,304)	(2,332,762)
Interest payable to unrelated parties	(400)	(221)
Total interest payable and similar charges	(337,704)	(2,332,983)

Macquarie European Rail Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2020

	2020	2019
	£	£
Note 6. Taxation		
Analysis of the tax charge/(credit) for the year		
Current tax		
UK corporation tax at 19% (2019: 19%)	(375,114)	(282,263)
Adjustments in respect of previous periods	(7,323)	17,636
Foreign tax suffered	250	(15,218)
Current tax	(382,187)	(279,844)
Deferred tax		
Origination and reversal of timing differences	145,632	(80,136)
Effect of changes in tax rates	(164,541)	8,435
Total deferred tax	(18,909)	(71,700)
Tax on profit on ordinary activities	(401,096)	(351,545)

Factors affecting tax charge for the year:

The income tax expense for the period is higher (2019: higher) due to the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

Profit before income tax	(1,301,263)	(1,958,233)
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	(247,240)	(372,064)
Effects of:		
Adjustment to tax charge in respect of previous periods	(7,323)	17,636
Non deductible expenses	17,731	(861)
Foreign tax suffered	250	(15,218)
Non assessable income	27	10,527
Effect of changes in tax rates	(164,541)	8,435
Total tax on profit on ordinary activities	(401,096)	(351,545)

The UK Corporation tax rate for the financial year beginning 1 April 2020 will remain at 19%. This reverses the previously enacted rate change reducing the rate to 17%. Deferred tax has been measured at 19%.

Deferred tax assets/(liabilities)

The balance comprises temporary differences attributable to:

Financial instruments	106,313	76,858
Net deferred tax assets	106,313	76,858
Tangible assets		
Fixed assets	(1,523,901)	(1,475,532)
Net deferred tax liabilities	(1,523,901)	(1,475,532)
Total Deferred Taxation	(1,417,588)	(1,398,674)

Macquarie European Rail Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2020

	2020	2019
	£	£
Note 6. Taxation (continued)		
Reconciliation of the Company's movement in deferred tax liabilities:		
Balance at the beginning of the financial year	1,398,674	1,326,979
Temporary differences:		
Deferred tax charged to income statement for the period	(145,632)	80,136
Effect of changes in tax rates	164,541	(8,436)
Adjustment to opening deferred tax assets due to transition to IFRS	5	(5)
Adjustment in respect of previous periods	(0)	0
Balance at the end of the financial year	1,417,588	1,398,674

Note 7. Tangible assets

Rail equipment under operating leases

Cost	-	51,602,438
Less accumulated depreciation	-	(10,933,148)
Less impairment	-	(726,610)
Total assets under operating leases	-	39,942,680
Total tangible assets	-	39,942,680

All Tangible asset balances were reclassified as held for sale for the year ended 31 March 2020. Refer to Notes 8 and 21 for further discussion.

Reconciliation of the movement in the property, plant and equipment at their carrying value:

Balance at the beginning of the financial year	39,942,680	42,421,656
Depreciation expense	(1,530,733)	(1,752,287)
Impairment of assets	(1,629,413)	(726,610)
Reclassification to assets held for sale	(36,782,611)	-
Other	77	(79)
Balance at the end of the financial year	-	39,942,680

Note 8. Held for sale asset: rail cars

Rail assets under operating leases	36,782,611	-
Total assets classified as held for sale	36,782,611	-

On 15 February 2020, the company entered an agreement to sell the UK freight portfolio of locomotives and wagons to a buyer outside the Macquarie Group and the associated assets were reclassified as held for sale at fair value resulting in an impairment of £1,629,413. The assets were sold on 23 April 2020 with no gain or loss recognised based on the fair value less costs to sell.

Macquarie European Rail Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2020

	2020	2019
	£	£
Note 9. Debtors		
Amounts owed by other Macquarie Group undertakings ¹	63,860,133	56,969,159
Other debtors	362,534	244,255
Total debtors	64,222,667	57,213,414

¹Amounts 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 2020 the rate applied ranged between LIBOR plus 0.85% and LIBOR plus 2.86%. (31 March 2019: LIBOR plus 1.18% and LIBOR plus 2.41%). At the reporting date, amounts owed from other Macquarie Group undertakings are presented net of ECL allowance of £0 (2019: £118,889).

Note 10. Cash at bank

Cash at bank	856,655	2,044,686
Total cash at bank	856,655	2,044,686

Note 11. Creditors: amounts falling due within one year

Amounts owed to Macquarie Group undertakings ¹	1,368,579	55,640
Accruals and deferred income	118,789	221,339
Derivative liabilities ²	581,463	457,567
Other creditors	3,872	3,921
Trade creditors	333,467	39,291
Taxation	1,471,857	2,059,758
Total creditors: amounts falling due within one year	3,878,027	2,837,516

¹Amounts due to other Macquarie Group undertakings are unsecured and have no fixed date of repayment. The Company incurs interest on amounts owed to other Macquarie Group undertakings at market rates and at 31 March 2020 the rate applied was LIBOR plus 2.15% for the UK branch and 2.30% for the Luxembourg branch (31 March 2019: LIBOR plus 1.93%).

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

Note 12. Held for sale liabilities: maintenance reserve

Maintenance reserve liabilities	6,831,027	-
Total liabilities classified as held for sale	6,831,027	-

On 15 February 2020, the company entered an agreement to sell the UK freight portfolio of locomotives and wagons to a buyer outside the Macquarie Group and the associated maintenance reserve liabilities were reclassified as held for sale.

Note 13. Creditors: amounts falling due after more than one year

Maintenance reserve	-	6,148,064
Total creditors: amounts falling due within one year	-	6,148,064

All Tangible liability balances were reclassified as held for sale for the year ended 31 March 2020. Refer to Notes 12 and 21 for further discussion.

Macquarie European Rail Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2020

Note 14. Called up share capital

	2020	2019	2020	2019
	Number of shares	Number of shares	£	£
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 15. Other reserves and profit and loss account

Other reserves

Foreign currency translation reserve

Balance at the beginning of the financial year	(498,470)	(478,551)
Currency translation differences arising during the financial year	18,598	(19,919)
Balance at the end of the year	(479,872)	(498,470)

Profit and loss account

Balance at the beginning of the financial year	29,425,861	27,926,469
Change on initial application of IFRS 9	-	(107,296)
Balance as at 1 April 2019	29,425,861	27,819,173
Profit for the financial year	900,167	1,606,688
Balance at the end of the year	30,326,028	29,425,861

Note 16. Related party information

During the year, a new Master Loan Agreement (the MLA) replaced the Omnibus Loan and Deposit Agreement (the Omnibus), which contains the key terms for funding and related arrangements between various related body corporate entities which are under the common control of MGL. The MLA clarifies terms including tenor, pricing, settlement and offsetting terms for entities within the group. Substantially all entities which were a party to the Omnibus have acceded to the MLA.

The MLA excludes derivatives, repurchase agreements, broker settlements and stock lending-related balances. These, together with certain bespoke lending arrangements, have been presented on a gross basis as at 31 March 2020 and is not comparable with the previous year wherein they have been offset with other balances under the Omnibus.

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 17. Directors' remuneration

During the financial years ended 31 March 2020 and 31 March 2019, 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.

Notes to the financial statements (continued) for the financial year ended 31 March 2020

Note 18. 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.

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 hedge: The Company's net investment hedge consists of:

– interest rate swaps used to hedge against its exposure to variable for fixed funding to match the fact that Rail earns income from the leases.

As at 31 March 2020, the fair value of outstanding derivatives held by the Company and designated as a net investment hedge was £581,463 negative value (2019: £457,567 negative value).

Note 20. Ultimate parent undertaking

At 31 March 2020, 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 date

The Tangible Assets Held for sale as at 31 March 2020 were sold subsequent to the year end on 23 April 2020. The UK Rail freight portfolio of locomotives and wagons were sold to a buyer outside the Macquarie Group, at a fair value of £29.9m for no gain and loss.

There were no other material events subsequent to 31 March 2020 and up until the authorisation of the financial statements for issue, that have not been reflected in the financial statements.