Macquarie European Rail Limited

Company Number 8253782

Directors' Report and Financial Statements
for the financial year ended 31 March 2022

MACQUARIE

The Company's registered office is:

Ropemaker Place
28 Ropemaker Street
London EC2Y 9HD
United Kingdom

Macquarie European Rail Limited

2022 Directors' Report and Financial Statements

Contents

Directors' Report
for the financial year ended 31 March 2022

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

J Watkinson-Hall	
D Weightman	(alternate director to J Watkinson-Hall)
A Byatt	
S Alison	
D Cifali	(appointed as an alternate director to S Alison on 14 May 2021)

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

H Everitt

Principal activities
The principal activity of the Company was to lease UK freight and passenger rail assets under operating leases until the Company's rail assets were sold on 23 April 2020.

The Company operated 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 and this branch was de-registered on 21 January 2022.

Results
The loss for the financial year ended 31 March 2022 was £392,143 (2021: loss of £676,923).

Dividends
Dividends of £3,200,000 (2021:£25,000,000) were paid during the current financial year.

State of affairs
The Company's rail assets were sold on 23 April 2020.

It is the intention of the Directors to liquidate the Company. Accordingly, the going concern basis of preparation is not appropriate 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 2022 (continued)

State of affairs (continued)

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

IBOR interest rate benchmarks, that are used in a wide variety of financial instruments such as derivatives and lending arrangements, are undergoing reforms. Examples of IBOR include the London Inter-bank Offered Rate ("LIBOR") and the Euro Inter-bank Offered Rate ("EURIBOR").

After 31 December 2021, 24 of 35 LIBOR currency-tenor pairings were discontinued, 6 LIBOR switched to a modified calculation methodology (known as 'synthetic' LIBORs) and 5 USD LIBOR tenors are expected to cease publication after 30 June 2023. Aside from the ongoing exceptional use of USD LIBOR, the use of LIBOR in new contracts ceased by the end of 2021.

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

In addition to the project's progress outlined in the Company's annual financial statements for prior financial years, the project achieved several important milestones for the period ended 31 March 2022 including that the Company transitioned its internal USD LIBOR and EURIBOR funding to Secured overnight financing ("SOFR") and Euro Short-Term Rate ("ESTR") respectively, and re-hedged external funding exposures to relevant currency ARR, given sufficient liquidity in the relevant markets.

Whilst IBOR reforms, including the transition from LIBOR to ARRs, are important changes for the Company, they have not resulted in changes to Macquarie Group's risk management strategy and these risks are managed within the existing risk management framework as described in the Financial Risk Management section of the this Report.

As at 31 March 2022, the Company did not have any material exposures to the impacted IBOR benchmarks and is not materially impacted by the transition to ARRs.

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

Review of operations

The loss for the financial year ended 31 March 2022 was £392,143, as compared to the loss for the financial year ended 31 March 2021 of £676,923.

Net operating profit for the year ended 31 March 2022 was £18,665, a increase of 102% per cent from the net operating loss of £768,529 in the previous year.

Total operating expenses for the year ended 31 March 2022 was £20,645, a decrease of 98% per cent from the total operating expenses of £1,087,205 in the previous year.

The Luxembourg branch contributed a profit of £26,443 (2021: loss of £346,933) to the overall loss before taxation of £393,816 (2021: loss of £726,039) prior to its de-registration on 21 January 2022.

As at 31 March 2022, the Company had net assets of £60,946,097 (2021: £64,046,983).

Directors' Report
for the financial year ended 31 March 2022 (continued)

Going concern
The Company's rail assets were sold on 23 April 2020 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. 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 nor to provide for liabilities arising from the decision.

Events after the reporting date
At the date of this report, the Directors are not aware of any other matter or circumstance which has arisen that has significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in the financial years subsequent to 31 March 2022 not otherwise disclosed in this report.

Likely developments, business strategies and prospects

Coronavirus (COVID-19)
The Novel Coronavirus (COVID-19) has had significant impacts on global economies and financial markets, led to several changes in the economy and resulted in several support actions by financial markets, governments, and regulators. The impact of COVID-19 continues to evolve and, where applicable, has been incorporated into the determination of the Company's results of operations and measurements of its assets and liabilities at the reporting date.

COVID-19 did not have a material impact on the operations of the Company during the financial year.

Russia-Ukraine conflict
The risk presented by the Russia-Ukraine conflict is managed by the Company within the framework of the overall strategy and risk management structure of the Macquarie Group. (Macquarie Group comprising MGL, the ultimate parent of the Company, and its subsidiaries).

The Russia-Ukraine conflict did not have a material impact on the operations of the Company during the financial year.

The Directors believe that no other 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.

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.

Directors' Report
for the financial year ended 31 March 2022 (continued)

Statement of Directors' responsibilities in respect of the financial statements (continued)
Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted *Accounting Practice (United Kingdom Accounting Standards, comprising* FRS 101 "Reduced Disclosure Framework", and applicable law).

Under Company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:
- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

Directors' confirmations
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. The Directors are not aware of any resolution to terminate the appointment of the auditors. However, 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.

On behalf of the Board,

Deloshinee Cifali
Director

13 December 2022

Macquarie European Rail Limited

Company Number 8253782

Financial Statements

Profit and loss account
for the financial year ended 31 March 2022

		Discontinued operations	
		2022	2021
	Note	£	£
Turnover	4	**39,310**	318,676
Administrative expenses	4	**(20,358)**	(977,135)
Other operating expenses	4	**(287)**	(110,070)
Operating profit/(loss)		**18,665**	(768,529)
Interest receivable and similar income	4	**82,217**	66,078
Interest payable and similar expenses	4	**(1,871)**	(23,588)
Other Losses	4	**(492,827)**	-
Loss before taxation		(393,816)	(726,039)
Tax on loss	5	**1,673**	49,116
Loss for the financial year		**(392,143)**	(676,923)

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

Statement of comprehensive income
for the financial year ended 31 March 2022

		Discontinued operations	
		2022	2021
	Note	£	£
Loss for the financial year	11	**(392,143)**	(676,923)
Exchange differences on translation of foreign operations	11	**491,257**	(11,385)
Total other comprehensive profit/(loss)		**491,257**	(11,385)
Total comprehensive profit/ (loss)		**99,114**	(688,308)
Total comprehensive profit/(loss) for the financial year that is		**99,114**	(688,308)

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

Balance sheet
as at 31 March 2022

	Note	2022 £	2021 £
Current assets			
Debtors	6	**61,178,977**	65,353,324
Current liabilities			
Creditors: amounts falling due within one year	7	**(232,880)**	(1,306,341)
Net current assets		**60,946,097**	64,046,983
Total assets less current liabilities		**60,946,097**	64,046,983
Net assets		**60,946,097**	64,046,983
Shareholders' funds			
Called up share capital	10	**59,889,135**	59,889,135
Reserves	11	**-**	(491,257)
Profit and loss account	11	**1,056,962**	4,649,105
Total shareholders' funds		**60,946,097**	64,046,983

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 6 to 21 were authorised for issue by the Board of Directors on 13 December 2022 and were signed on its behalf by:

Deloshinee Cifali
Director

Statement of changes in equity
for the financial year ended 31 March 2022

	Note	Called up share capital £	Reserves £	Profit and loss account £	Total shareholders' funds £
Balance as at 1 April 2020		**59,889,135**	**(479,872)**	**30,326,028**	**89,735,291**
Loss for the financial year	11	-	-	(676,923)	(676,923)
Other comprehensive loss	11	-	(11,385)	-	(11,385)
Total comprehensive loss		-	(11,385)	(676,923)	(688,308)
Dividends paid	9	-	-	(25,000,000)	(25,000,000)
Balance at 31 March 2021		**59,889,135**	**(491,257)**	**4,649,105**	**64,046,983**
Profit for the financial year	11	-	-	(392,143)	(392,143)
Other comprehensive income	11	-	491,257	-	491,257
Total comprehensive income		-	491,257	(392,143)	99,114
Transactions with equity holders in their capacity as ordinary equity holders:					
Dividends paid	9	-	-	(3,200,000)	(3,200,000)
Balance at 31 March 2022		59,889,135	**-**	**1,056,962**	**60,946,097**

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.

Notes to the financial statements for the financial year ended 31 March 2022

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.

The principal activity of the Company was to lease UK freight and passenger rail assets under operating leases until the Company's rail assets were sold on 23 April 2020.

The Company operated 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 and this branch was de-registered on 21 January 2022.

Note 2. Basis of preparation

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

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

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

(i) Going concern

The Company's rail assets were sold on 23 April 2020 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. Given it is the intention of the Directors to liquidate the Company, 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 nor to provide for liabilities arising from the decision.

(ii) Basis of measurement

The financial statements have been prepared in accordance with the Companies Act 2006 and under the historical cost convention.

(iii) Disclosure exemptions

FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in FRS 101 which addresses the financial reporting requirements and disclosure exemptions in the financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of UK adopted international accounting standards ("IFRS").

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

- The requirements of IFRS 7 'Financial Instruments: Disclosures';
- The requirements of paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities 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
- 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';

Notes to the financial statements
for the financial year ended 31 March 2022 (continued)

Note 2. Basis of preparation (continued)

(iii) Disclosure exemptions (continued)

- The requirements of paragraph 17 of IAS 24 'Related Party Disclosures' (key management compensation);
- The requirements of IAS 24 to disclose related party transactions entered into between two or more members of a group where both parties to the transaction are wholly owned within the group;
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 'Impairment of
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

(iv) Critical accounting estimates and significant judgements

There were no critical accounting estimates or significant judgements identified in the preparation of the financial statements.

(v) Coronavirus (COVID-19) impact

The Novel Coronavirus has had significant impacts on global economies and equity, debt and commodity markets, led to several changes in the economy and resulted in several support actions by financial markets, governments, and regulators. The impact of COVID-19 continues to evolve and, where applicable, has been incorporated into the determination of the Company's results of operations and measurement of its assets and liabilities at the reporting date.

The Company's processes to determine the impact of COVID-19 for these financial statements is consistent with the processes disclosed and applied in its 31 March 2021 financial statements. Those processes identified that expected credit losses required continued judgement as a result of the impact of COVID-19.

As there is a higher than usual degree of uncertainty associated with these assumptions and estimates, actual outcomes may differ to those forecasted which may impact the accounting estimates included in these financial statements. Other than adjusting events that provide evidence of conditions that existed at the end of the reporting period, the impact of events that arise after the reporting period will be accounted for in future reporting periods.

(vi) New Accounting Standards and amendments to Accounting Standards that are either effective in the current financial year or have been early adopted

The amendments to existing accounting standards that are effective for the annual reporting period beginning on 1 April 2021 did not result in a material impact to the Company's financial statements.

Note 3. Significant accounting policies

i) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

At initial recognition, a foreign currency transaction is translated into the entity's functional currency using the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of each reporting period:

- foreign currency monetary assets and liabilities are translated using the closing exchange rate
- non-monetary items (including equity) measured in terms of historical cost in a foreign currency remain translated using the spot exchange rate at the date of the transaction, and
- non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date that the fair value was measured.

Notes to the financial statements for the financial year ended 31 March 2022 (continued)

Note 3. Significant accounting policies (continued)

i) Foreign currency translation (continued)

Transactions and balances (continued)

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 loss (see Note 4).

For the detailed policy on Financial instruments refer to Note 3(iv).

Foreign operations (branch)

The Company had a branch in Luxembourg, until its de-registration on 21 January 2022. The results and financial position of the Company's branch that has a functional currency other than Pounds Sterling is 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").

Foreign currency gains and losses on intragroup loans are recognised in the profit and loss account except where the loan is in substance part of the Company's net investment in the foreign operation, in which case the foreign currency gains and losses are recognised in the Company's FCTR.

The exchange gains or losses recognised in FCTR are reclassified to the income statement or reattributed within equity as follows:

- if there is a disposal of a foreign operation, then the accumulated FCTR is reclassified from OCI to investment income within other operating income/expenses
- if there is a partial disposal of a foreign operation that is an associate or joint arrangement, without loss of significant influence or joint control, then a proportionate share of the accumulated FCTR is reclassified to investment income
- if there is a partial disposal of a foreign operation that is a subsidiary, without loss of control, then a proportionate share of the accumulated FCTR is reattributed within equity to non-controlling interests.

ii) Revenue and expense recognition

Turnover

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 interest expenses are recognised using the effective interest rate ("EIR") method for financial assets, and financial liabilities are carried at amortised cost. The EIR method calculates the amortised cost of a financial instrument at a rate that discounts estimated future cash receipts or payments through the expected life of the financial instrument to the net carrying amount of the financial asset or liability. The calculation of the EIR does not include expected credit loss ("ECL").

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).

Notes to the financial statements
for the financial year ended 31 March 2022 (continued)

Note 3. Significant accounting policies (continued)

ii) Revenue and expense recognition (continued)

Net interest income/expense (continued)

Interest income on financial assets that are not credit impaired is determined by applying the financial asset's EIR to the financial asset's gross carrying amount. Interest income on financial assets that are not classified as POCI but are subsequently classified as credit impaired (Stage III), is recognised by applying the EIR to the amortised cost carrying value (being the gross carrying value after deducting the impairment loss).

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

Other operating expenses

Other operating income/(expenses) comprises of net trading loss.

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.

iii) Taxation

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

Deferred tax assets are recognised when temporary differences arise between the tax basis of assets and liabilities and their respective carrying amounts which give rise to a future tax benefit, or when a benefit arises due to unused tax losses. In both cases, deferred tax assets are recognised only to the extent that it is probable that future taxable amounts will be available against which to utilise those temporary differences or tax losses.

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

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

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

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

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

Factors considered include the ability to offset tax losses, 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.

Notes to the financial statements
for the financial year ended 31 March 2022 (continued)

Note 3. Significant accounting policies (continued)

iii) Taxation (continued)

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

Value-Added Tax (VAT)

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

iv) Financial instruments

Recognition of financial instruments

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

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

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 inputs 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 profit and loss account over the life of the transaction or when the inputs.become observable.

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, or
- consideration of whether each of the financial instruments has its own terms and conditions and each may be transferred or settled separately.

Derecognition of financial instruments

Financial assets

Financial assets are derecognised from the balance sheet when:

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

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:

Notes to the financial statements
for the financial year ended 31 March 2022 (continued)

Note 3. Significant accounting policies (continued)

iv) Financial instruments (continued)

Derecognition of financial instruments (continued)

- 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,
- 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.

Classification and subsequent measurement

Financial assets

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

Business model assessment

The Company uses judgement in determining the business model at the level that reflects how groups of financial assets are managed and its intention with respect to its financial assets. In determining the business model, all relevant evidence that is available at the date of the assessment is used including:

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

Solely payment of principal and interest ("SPPI")

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

Amortised cost

A financial asset is subsequently measured at amortised cost using the EIR method where:

i. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows,
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 classified as DFVTPL.

Interest income determined in accordance with the EIR method is recognised as part of interest and similar income.

Notes to the financial statements for the financial year ended 31 March 2022 (continued)

Note 3. Significant accounting policies (continued)

iv) Financial instruments (continued)

Classification and subsequent measurement (continued)

Fair value through profit or loss ("FVTPL")

Financial assets that do not meet the criteria to be measured at amortised cost or FVOCI are subsequently measured at FVTPL.

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

- financial assets in a business model whose objective is achieved by managing the financial assets on a fair value basis in order to realise gains and losses as opposed to a business model in which the objective is to collect contractual cash flows(FVTPL), or
- financial assets that fail the SPPI test (FVTPL).

Equity financial assets that are not held for active trading are measured at FVTPL. Subsequent changes in fair value are recognised as investment income within other operating (expenses)/income.

Where applicable, the interest component of financial assets is recognised as interest and similar income.

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 asset's new measurement category.

The Company does not reclassify financial liabilities after initial recognition.

Financial liabilities

Financial liabilities are subsequently measured at amortised cost, unless they are either held for trading ("HFT"), or have been designated to be measured at FVTPL (DFVTPL). A financial liability may be DFVTPL if:

- such a designation eliminates or significantly reduces an accounting mismatch that would otherwise have arisen
- a group of financial liabilities, or financial assets and financial liabilities, is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, or
- the liability contains embedded derivatives which must otherwise be separated and carried at fair value.

All derivative liabilities are classified as HFT, except those that are designated as hedging instruments in qualifying hedge relationships and are classified as FVTPL.

Changes in the fair value of financial liabilities that are not classified as HFT are, with the exception of changes in fair value relating to changes in the Company's own credit risk that are presented separately in OCI and are not subsequently reclassified to profit or loss, are recognised in other income and charges as part of other operating income and charges.

Where applicable, the interest component of financial liabilities is recognised as interest and similar 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.

Notes to the financial statements
for the financial year ended 31 March 2022 (continued)

Note 3. Significant accounting policies (continued)

(v) Non-current assets and liabilities classified as discontinued operations

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

vi) 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.

vii) 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 3(ii) *Revenue and expense recognition* and Note 3(iv) *Financial instruments*. Financial assets and financial liabilities are presented net where the offsetting requirements are met (Note 3(iv)), such that the net amount is reported in the balance sheet.

viii) Leases

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

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.

Where the Company is the lessor under an operating lease, the underlying asset is carried at cost and depreciated over its useful life. Operating lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate.

ix) 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 issue proceeds.

Notes to the financial statements
for the financial year ended 31 March 2022 (continued)

	2022 £	2021 £

Note 4. Profit/(loss) before taxation

	2022 £	2021 £
Turnover:		
Other revenue	**39,310**	-
Operating lease income	**-**	318,676
Total turnover	**39,310**	318,676
Administrative expenses		
Auditors' remuneration		
Fees payable to the Company's auditors for the audit of the Company[1]	**(34,864)**	(35,139)
Other administrative expenses	**(11,414)**	(75,351)
Resource charge from Macquarie Group undertakings	**(4,153)**	(62,824)
Credit impairment (charges)/reversals	**(19)**	34,888
Service fees paid to other Macquarie Group undertakings	**(7)**	(838,709)
Staff Costs[2]	**30,099**	-
Total administrative expenses	**(20,358)**	(977,135)

[1]Fees payable to the Company's auditors includes £26,896 in relation to the current year; £7,968 relating to the PY.

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

	2022 £	2021 £
Other operating expenses		
Foreign exchange (losses)/gains	**(287)**	234
Net trading loss	**-**	(110,304)
Total other operating expenses	**(287)**	(110,070)

The Company had no employees during the current and previous financial year.

	2022 £	2021 £
Interest		
Interest receivable and similar income from:		
Other Macquarie Group undertakings	**82,217**	66,078
Total interest receivable and similar income	**82,217**	66,078
Interest payable and similar expenses to:		
Other Macquarie Group undertakings	**(1,871)**	(22,452)
Unrelated parties	**-**	(1,136)
Total interest payable and similar expenses	**(1,871)**	(23,588)
Other Losses		
Foreign exchange losses	**(492,827)**	-
Total Other Losses	**(492,827)**	-

Note 5. Tax on profit/ (loss)

(i) Tax expense included in profit or loss

	2022 £	2021 £
Current tax		
UK corporation tax at 19% (2021: 19%)	**(13,789)**	(1,217,703)
Adjustments in respect of previous periods	**15,462**	(150,748)
Foreign tax suffered	**-**	(22)
Total current tax	**1,673**	(1,368,473)

Notes to the financial statements
for the financial year ended 31 March 2022 (continued)

	2022 £	2021 £
Note 5. Tax on profit/ (loss) (continued)		
Deferred tax		
Origination and reversal of timing differences	-	1,298,774
Effect of changes in tax rates	-	118,815
Total deferred tax	-	1,417,589
Total tax on (loss)/profit	**1,673**	49,116

(ii) Reconciliation of effective tax rate

The income tax expense for the period is lower (2021: lower) than the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022 £	2021 £
Profit/(loss) before taxation	**99,011**	726,039
Profit/(loss) before taxation multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	**(18,812)**	137,947
Effects of:		
Adjustment to tax charge in respect of previous periods	**15,462**	(31,933)
Non deductible expenses	-	(750)
Foreign tax suffered	-	(22)
Non assessable income	**5,023**	(1,363,812)
Effect of changes in tax rates	-	-
Disposal of leasing assets	-	1,307,686
Total tax on (loss)/profit	**1,673**	49,116

The UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Note 6. Debtors

	2022 £	2021 £
Amounts owed by other Macquarie Group undertakings[1]	**61,058,978**	65,350,644
Taxation	**119,999**	2,680
Total debtors	**61,178,977**	65,353,324

[1]Amounts owed from other Macquarie Group undertakings are unsecured and have no fixed date of repayment.

In the current and previous year, amounts owed from other Macquarie Group undertakings have nil ECL.

Note 7. Creditors: amounts falling due within one year

	2022 £	2021 £
Amounts owed to Macquarie Group undertakings[1]	**232,817**	163,403
Trade creditors	**3**	39,294
Taxation	-	1,101,530
Accruals and deferred income	-	2,062
Other creditors	**60**	52
Total creditors: amounts falling due within one year	**232,880**	1,306,341

[1]Amounts due to other Macquarie Group undertakings are unsecured and have no fixed date of repayment.

Notes to the financial statements
for the financial year ended 31 March 2022 (continued)

	2022 £	2021 £
Note 8. Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Financial instruments	-	-
Total deferred tax asset	-	-
Fixed assets	-	-
Total deferred tax liabilities	-	-
Net deferred tax liabilities	-	-
Reconciliation of the Company's movement in deferred tax asset:		
Balance at the beginning of the financial year	-	106,313
Temporary differences:		
Deferred tax charged to income statement for the period	-	(106,313)
Effect of changes in tax rates	-	-
Balance at the end of the financial year	-	-
Reconciliation of the Company's movement in deferred tax liabilities:		
Balance at the beginning of the financial year	-	(1,523,901)
Temporary differences:		
Deferred tax charged to income statement for the period	-	97,400
Effect of changes in tax rates	-	-
Adjustment to opening deferred tax assets due to transition to IFRS	-	-
Adjustment in respect of previous periods	-	118,815
Disposal of leasing assets	-	1,307,686
Balance at the end of the financial year	-	-

Note 9. Dividends

	2022 £	2021 £
Ordinary share capital and exchangeable shares		
Dividends paid (Note 11)	**3,200,000**	25,000,000
Total dividends	**3,200,000**	25,000,000

Note 10. Called up share capital

	2022 Number of shares	2021 Number of shares	2022 £	2021 £
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

Notes to the financial statements
for the financial year ended 31 March 2022 (continued)

	2022 £	2021 £
Note 11. Reserves and profit and loss account		
Reserves		
Foreign currency translation reserve		
Balance at the beginning of the financial year	**(491,257)**	(479,872)
Currency translation differences arising during the financial year	**491,257**	(11,385)
Balance at the end of the financial year	**-**	(491,257)
Profit and loss account		
Balance at the beginning of the financial year	**4,649,105**	30,326,028
Profit/(loss) for the financial year	**(392,143)**	(676,923)
Dividends paid (Note 9)	**(3,200,000)**	(25,000,000)
Balance at the end of the financial year	**1,056,962**	4,649,105

Note 12. Related party information

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

The Master Loan Agreement (the "MLA") governs the funding arrangements between various subsidiaries and related body corporate entities which are under the common control of MGL and have acceded to the MLA. During the current financial year, the Tripartite Outsourcing Major Services Agreement (TOMSA) became effective governing the provision of intra-group services between subsidiaries and related body corporate entities other than certain excluded entities.

Relationships with an entity which is not a party to the MLA have been presented on a gross basis.

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 13. Directors' remuneration

During the financial years ended 31 March 2022 and 31 March 2021, 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.

Note 14. Contingent liabilities and commitments

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

Note 15. Ultimate parent undertaking

At 31 March 2022, the immediate parent undertaking of the Company is Macquarie Asset Finance Holdings Limited.

The ultimate parent undertaking and controlling party of the Company is MGL. The largest group to consolidate these financial statements is MGL, a company incorporated in Australia. The smallest group to consolidate these financial statements is Macquarie Financial Holdings Pty Limited ("MFHPL"), a Company incorporated in Australia. Copies of the consolidated financial statements for MGL and MFHPL can be obtained from the Company Secretary, Level 6, 50 Martin Place, Sydney, New South Wales, 2000 Australia.

Note 16. Events after the reporting date

There were no material events subsequent to 31 March 2022 and up until the authorisation of the financial statements for issue, that have not been reflected in the financial statements.

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 2022 and of its loss 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 2022; 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 our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

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 2022 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.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the potential for manual journal entries being recorded in order to manipulate financial performance, and applying management bias in the determination of accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Inquiries with management and those charged with governance, including review of meeting minutes in so far as they relate to the financial statements, and consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Incorporating an element of unpredictability into the nature, timing and/or extent of our testing;

- Challenging assumptions and judgements made by management in their significant accounting estimates; and
- Applying risk-based criteria to all journal entries posted in the audit period, including consideration of backdated entries, post-close entries and those journals posted by a defined group of unexpected users.

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

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.

P Barnett

Phillip Barnett (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
14 December 2022