

Macquarie Specialised Asset Services Limited

Company Number 09699834

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

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Macquarie Specialised Asset Services Limited

2022 Directors' Report and Financial Statements

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Macquarie Specialised Asset Services Limited

Company Number 09699834

Directors' Report for the financial year ended 31 March 2022

In accordance with a resolution of the directors (the "Directors") of Macquarie Specialised Asset Services 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 year and until the date of this report, unless disclosed otherwise, were:

Luigi Tricarico
Navid Varess
Willem Roux van der Merwe

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:

Helen Louise Everitt

Principal activities

The principal activity of the Company during the financial year ended 31 March 2022 was to act as a provider of leasing services for IT equipment and provider of financing via purchase of trade receivables executed under sale of receivables agreements.

Results

The profit for the financial year ended 31 March 2022 was €23,220 (2021: loss of €1,859).

Dividends

No dividends were paid or provided for during the current financial year (2021: €nil). No final dividend has been proposed.

State of affairs

On 4 February 2022, as part of implementation of Revised Australian Prudential Standard APS 222: Associations with Related Entities, Macquarie Leasing (UK) Limited transferred its investment in the Company to Macquarie Investments 1 Limited.

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.

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.

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

During 2018, 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 ARR. 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 periods, the project achieved several important milestones for the period ended 31 March 2022 including that the Company transitioned its internal EURIBOR funding to Euro Short-Term Rate ("ESTR"), 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 this Report.

Review of operations

The profit for the financial year ended 31 March 2022 was €23,220, as compared to the loss of €1,859 in the previous year.

The primary reason for current financial year profit is increase in turnover and interest income partly offset by increase in cost of goods sold and administrative expenses during the year.

Net operating loss for the year ended 31 March 2022 was €279,527, as compared to the net operating loss of €2,770 in the previous year.

Total operating expenses for the year ended 31 March 2022 were €273,442, as compared to the operating expenses of €132,479 in the previous year.

As at 31 March 2022, the Company had net assets of €81,291 (2021: €58,071).

Going concern

The Company has an excess of current assets over current liabilities at 31 March 2022 of £2,434,418. The Company continues to be profitable and the Directors expect the current business will continue for the foreseeable future.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. No material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern have been identified by the Directors. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Events after the reporting date

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 2022 not otherwise disclosed in this report.

Directors' Report

for the financial year ended 31 March 2022 (continued)

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 period.

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 Macquarie Group Limited ("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 period.

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

Risk Management

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

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

Financial risk management

Credit risk

Credit risk is the risk that a counterparty will fail to complete its contractual obligations when they fall due. Credit exposures, approvals and limits are controlled with the Macquarie Group's credit framework, as established by RMG.

Liquidity risk

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

Macquarie Specialised Asset Services Limited

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

Risk Management (continued)

Financial risk management (continued)

Interest rate risk

The Company has both interest-bearing assets and interest-bearing liabilities. Interest bearing assets include cash balances and receivables from other Macquarie Group undertakings and external parties, all of which earn a variable rate of interest, except for certain positions with fixed rate of interest with external parties. Interest bearing liabilities include payables to other Macquarie Group undertakings and external parties, which also incur a variable rate of interest.

Foreign exchange risk

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

Residual value risk

The Company reviews the carrying amounts of the inventory for impairment at least annually. This review ensures that the carrying amount of the inventory does not exceed its net realisable value.

Non-Financial Risk Management

Operational risk

The Company operates within a global framework which is applied consistently across all business lines within the Macquarie Group for the identification, monitoring, management and reporting of operational risk. Operational risk management occurs largely as part of the normal day to day running of each business with the framework, policies and oversight being managed at a central level by RMG. The framework can be tailored to the risk profile of each business, but each business must comply with certain mandatory aspects.

Group risk

The risk that the actions and activities of one part of the Macquarie Group may compromise the financial, operational and reputational position of the Company. Management of financial group risk is embedded across underlying governance documents and committees relating to financial exposures. Management of reputation risk is embedded throughout the risk management framework and considered in the assessment of all risk types. Intragroup outsourcing is governed in accordance with the internal Macquarie policies.

Conduct risk

The risk of behaviour, action or omission by individuals employed by, or on behalf of, the Company or taken collectively in representing the Company that may have a negative outcome for the Company's clients, counterparties, the communities and markets in which it operates, its staff, or the Company. The Company's approach to conduct risk management is integrated in its risk management framework.

Macquarie Specialised Asset Services Limited

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Directors' Report

for the financial year ended 31 March 2022 (continued)

Risk Management (continued)

Non-Financial Risk Management (continued)

Strategic / Business risk

Risk of the Company's business model being inadequate in the medium to long term. Business and strategic risk is managed and controlled through the annual strategy and business planning process. The Company Board has regular oversight of business risk in the Company.

Environmental & social risk

The risk of reputational or financial impacts due to failure to identify or manage material environmental or social issues arising from or with respect to the Company's investment, financing, client activities or supply chain. Under the Code of Conduct all staff share responsibility for identifying and managing environmental and social issues as part of normal business practice. Staff are supported by the RMG environmental and social risks ("ESR") team, as well as through access to environmental and social risk training.

Financial crime risk

Risk of knowingly or unknowingly perpetuating or helping parties to commit or to further potentially illegal activity through the Company. Financial crime risk encompasses the risks of money laundering, terrorism financing, bribery and corruption, and sanctions. RMG Financial Crime Risk (FCR) manage and oversee financial crime risk, engage with regulators and maintain and monitor the effectiveness of global financial crime risk frameworks, programs and policies for Macquarie.

Technology & cyber risk

Risk of loss resulting from failure, inadequacy or misuse of technology and technology resources owned, managed or supplied by the Company including technology outsourced and/or managed on behalf of the Company. The RMG Operational Risk & Governance team are responsible for the independent oversight of technology risk.

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 also at the date of approval of the financial statements. 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 Director's Report and the Financial Statements in accordance with applicable law and regulation.

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).

Macquarie Specialised Asset Services Limited

Company Number 09699834

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

Statement of Directors' responsibilities in respect of the financial statements (continued)

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 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 also 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 each 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.

On behalf of the Board,



Luigi Tricarico
Director

19 December 2022

Macquarie Specialised Asset Services Limited

Financial statements

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

	Notes	2022 €	2021 €
Turnover	4	257,155	129,709
Cost of goods sold	4	(263,240)	-
Administrative expenses	4	(258,236)	(41,514)
Other operating expenses	4	(15,206)	(90,965)
Operating loss		(279,527)	(2,770)
Interest receivable and similar income	4	340,885	388
Interest payable and similar expenses	4	(51,064)	-
Profit/(loss) before taxation		10,294	(2,382)
Tax on profit/(loss)	5	12,926	523
Profit/(loss) for the financial year		23,220	(1,859)

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

Turnover and profit/(loss) before taxation relate wholly to continuing operations.

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

Macquarie Specialised Asset Services Limited


Company Number 09699834

Balance sheet as at 31 March 2022

	Note	2022 €	2021 €
Fixed assets			
Tangible assets	6	14,288	94,475
Loan assets	7	235,244	-
Current assets			
Debtors	8	1,751,211	109,217
Loan assets	7	789,014	-
Deferred tax assets	9	61,670	11,228
Current liabilities			
Creditors: amounts falling due within one year	10	(167,477)	(41,604)
Net current assets		2,434,418	78,841
Total assets less current liabilities		2,683,950	173,316
Creditors: amounts falling due after more than one year	11	(2,602,659)	(115,245)
Net assets		81,291	58,071
Shareholders' funds			
Called up share capital	12	59,930	59,930
Profit and loss account	13	21,361	(1,859)
Total shareholders' funds		81,291	58,071

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 34 were approved for issue by the Board of Directors on 19 December 2022 and were signed on its behalf by:



Luigi Tricarico
Director

Macquarie Specialised Asset Services Limited

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

	Note	Called up share capital €	Profit and loss account €	Total shareholders' funds €
Balance as at 1 April 2020		1	-	1
Loss for the financial year		-	(1,859)	(1,859)
Total comprehensive expense		-	(1,859)	(1,859)
Transactions with equity holders in their capacity as ordinary equity holder:				
Issue of share capital		59,929	-	59,929
Balance as at 31 March 2021		59,930	(1,859)	58,071
Profit for the financial year	13	-	23,220	23,220
Total comprehensive income		-	23,220	23,220
Balance as at 31 March 2022		59,930	21,361	81,291

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 Specialised Asset Services Limited

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 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 during the financial year ended 31 March 2022 was to act as a provider of leasing services for IT equipment and provider of financing via purchase of trade receivables executed under sale of receivables agreements.

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.

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

As at 31 March 2022, the Company had net assets of €81,290 (2021: €58,071). The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. No material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern have been identified by the Directors. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

(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 International Financial Reporting Standards ("IFRS").

The following exemptions from the requirements of UK-adopted international accounting standards have been applied in the preparation of these financial statements in accordance with FRS 101:

- 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;
- The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 'Leases';
- The requirements of paragraphs 38 of International Accounting Standards ("IAS") 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS 1 (reconciliation of shares outstanding);
- The requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 40A to 40D, 111 and 134 to 136 of IAS 1 'Presentation of Financial Statements' (additional comparatives and capital management disclosures);
- The requirements of IAS 7 'Statement of Cash Flows';
- The requirements of paragraph 17 and 18A 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 Assets'.

Macquarie Specialised Asset Services Limited

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

Note 2. Basis of preparation (continued)

(iv) Critical accounting estimates and significant judgements

The preparation of the financial statements in compliance 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 :

- 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 ; and
- judgement in determining the accounting classification of leases.
- 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 3(iv))

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.

(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 and interpretations 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.

(vii) Functional currency

The company during financial year ended 31 March 2021 changed its functional and presentational currency from 'Pounds Sterling' (£) to 'Euros' (€) due to change in the primary economic environment in which the Company operates.

Macquarie Specialised Asset Services Limited

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

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 'Euros' (€), which is also the Company's functional currency.

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.

Foreign exchange gains and losses arising from the settlement or translation of monetary items are recognised in other operating income/(expense).

ii) Revenue and expense recognition

Net interest income/expense

Interest income and interest expense are recognised using the effective interest rate ("EIR") method for financial assets, and financial liabilities carried at amortised cost. The EIR method calculates the amortised cost of a financial instrument at a rate that discounts estimated future cash receipts or payments through the expected life of the financial instrument to the net carrying amount of the financial asset or liability.

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

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 subsequently classified as credit impaired (Stage 3), is recognised by applying the EIR to the amortised cost carrying value (being the gross carrying value after deducting the impairment loss).

Turnover

Operating lease income is recognised on a straight-line basis over the lease term. It comprises operating lease income, disposal proceeds and supplemental rent.

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

When inventories are sold and revenue is recognised, the carrying amount of those inventories is recognised as cost of goods sold in the income statement.

Management fees and cost recoveries are charged by the Company in respect of services provided to other Macquarie group entities as per the agreed transfer pricing arrangement.

Other operating expenses

Other operating expenses comprises of depreciation charges, credit impairment charges and foreign exchange gains.

Macquarie Specialised Asset Services Limited

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)

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 on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis..

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

The Company 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.

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.

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.

Macquarie Specialised Asset Services Limited

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

Note 3. Significant accounting policies (continued)

iv) Financial instruments (continued)

Recognition of financial instruments (continued)

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:

- (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;
 - prohibited from selling or pledging the original asset other than as security to the eventual recipients; and
 - 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 de-recognised if control over the asset is lost. Any interest in the transferred and de-recognised 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.

Macquarie Specialised Asset Services Limited

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

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 consistent with a basic lending arrangement. 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; and
- (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI requirements.

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

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.

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.

Macquarie Specialised Asset Services Limited

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

Note 3. Significant accounting policies (continued)

v) Tangible assets

Tangible assets are stated at historical cost (which includes, where applicable, directly attributable borrowing costs and expenditure directly attributable to the acquisition of the asset) less accumulated depreciation.

Tangible assets include assets leased out under operating leases.

Depreciation is the process to allocate the difference between cost and residual values over the estimated useful life. Where the residual value exceeds the carrying value, no depreciation is charged.

Annual depreciation rates are summarised below:

<u>Tangible Assets</u>	<u>Depreciation rates</u>
Other operating lease assets	2% to 25%

Useful lives, residual values and depreciation methods are reviewed annually and reassessed in the 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/expenses in the profit and loss account.

The depreciation charge is recognised as part of Other operating expense.

vi) Loan Assets

This category includes loans that are not held for trading purposes and typically includes the Company's lending activities to its customers

Certain finance lease receivables are also presented as part of asset financing within loan assets. For the detailed policy on financial instruments, including treatment on derecognition, refer to Note 3(iv) Financial Instruments.

vii) Due to/from related entities

Transactions between the Company and its subsidiaries principally arise from the provision of lending arrangements and acceptance of funds on deposit, intercompany services and transactions are accounted for in accordance with 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) Impairment

Expected credit losses ("ECL")

The ECL requirements apply to financial assets measured at amortised cost. The Company applies a three-stage approach to measuring the ECL based on changes in the financial asset's underlying credit risk and includes forward-looking information ("FLI").

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 1 – 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, ECL is determined based on the probability of default ("PD") over the next 12 months and the lifetime losses associated with such PD, adjusted for FLI. Stage 1 also includes financial assets where the credit risk has improved and the instrument has been reclassified from stage 2.

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

Note 3. Significant accounting policies (continued)

viii) Impairment (continued)

(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 lifetime PD and the lifetime losses associated with that PD, adjusted for FLI. The Company exercises judgement in determining whether there has been a SICR since initial recognition based on qualitative, quantitative, and reasonable and supportable information that includes FLI.

Use of 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 adjusted, where appropriate, for prepayments, extension, call and similar options, of the financial asset.

(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 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 for portfolios of exposure, ECL is measured as the product of the lifetime PD, the loss given default ("LGD") and the exposure at default ("EAD"), adjusted for FLI.

Presentation of loss allowances

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

- Amounts due from other Macquarie group entities measured at amortised cost as a deduction to the gross carrying amount.
- lease receivables and other assets measured at amortised cost – as a deduction to the gross carrying amount

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

ix) 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 component.

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.

Finance lease

Where finance leases are granted to third parties, the present value of the minimum lease payments plus an estimate of the value of any unguaranteed residual value is recognised as a receivable and included in loan assets.

The difference between the gross receivable and the present value of the receivable is unearned interest income. Lease receipts are discounted using the interest rate implicit in the lease. Interest income is recognised over the term of the lease using the EIR method, which reflects a constant rate of return. Finance lease income is presented within interest and similar income in the profit and loss account.

Macquarie Specialised Asset Services Limited

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

Note 3. Significant accounting policies (continued)

ix) Leases (continued)

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 3(v) 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.

x) Provisions and 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. Contingent liabilities, which generally include letters of credit, indemnities, performance-related contingents and guarantees (other than financial guarantees) are not recognised in the financial statements but are disclosed in the notes to the financial statements unless they are considered remote.

xi) Called up share capital

Ordinary shares are classified as equity.

xii) Comparatives

The Company is classified as a Financial Institution for year ended 31 March 2022. The below notes have been disclosed without comparatives for year ended 31 March 2021 as the Company was not a Financial Institution for year ended 31 March 2021.

Note 17. Financial risk management

Note 18. Measurement categories of financial instruments

Note 19. Fair values of assets and liabilities

Note 20. Offsetting of financial assets and financial liabilities

xiii) Rounding of amounts

All amounts in the Directors' Report and Financial Statements have been rounded off to the nearest Euro unless otherwise indicated.

Macquarie Specialised Asset Services Limited

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

	2022 €	2021 €
Note 4. Profit/(loss) before taxation		
Profit/(loss) before taxation is stated after (charging)/crediting:		
Turnover by category:		
Operating lease income	22,861	103,947
Service fees received from other Macquarie Group undertakings	-	25,762
Disposal proceeds	234,294	-
Total turnover	257,155	129,709
Cost of goods sold	(263,240)	-
Administrative expenses		
Legal fees, consulting fees and other professional fees	(10,891)	(8,467)
Service fees paid to Macquarie Group undertakings	(134,624)	-
Auditor's remuneration		
- Fees payable to the Company's auditors for the audit of the Company: ⁽¹⁾	(63,836)	(28,024)
Resource charge from Macquarie Group undertakings	(47,605)	(3,958)
Other administrative expenses	(1,280)	(1,065)
Total administrative expenses	(258,236)	(41,514)
Other operating expense:		
Foreign exchange gains	3,709	1,895
Depreciation charges		
- Leased assets	(12,549)	(92,802)
Credit impairment charges		
- Debtors	(6,366)	(58)
Total other operating expenses	(15,206)	(90,965)
Interest		
Interest receivable and similar income from: ⁽²⁾		
Interest income from finance leases	308,177	-
Other Macquarie Group undertakings	32,708	388
Total interest receivable and similar income	340,885	388
Interest payable and similar expenses: ⁽³⁾		
Other Macquarie Group undertakings	(51,064)	-
Total interest payable and similar expenses	(51,064)	-

⁽¹⁾ Fees payable to the Company's auditors for current year includes €24,922 relating to previous year.

⁽²⁾ Includes interest income calculated using the effective interest method of €340,885 (2021: €388) on the financial assets in the Company that are measured at amortised cost.

⁽³⁾ Includes interest expense of €51,064 (2021: €Nil) on the financial liabilities measured at amortised cost.

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

Macquarie Specialised Asset Services Limited

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

Note 5. Tax on Profit/(loss)	2022	2021
	€	€
(i) Tax benefit included in profit/(loss)		
Current tax		
UK corporation tax at 19% (2021: 19%)	(39,037)	(10,705)
Adjustment in respect of previous periods	1,522	-
Total current tax	(37,515)	(10,705)
Deferred tax		
Origination and reversal of temporary differences	(16,992)	11,228
Adjustment in respect of previous periods	52,633	-
Effect of changes in tax rates	14,801	-
Total deferred tax	50,442	11,228
Tax on profit/(loss)	12,926	523

(ii) Reconciliation of effective tax rate

The income tax expense for the period is higher than the standard rate of corporation tax in the UK of 19%. The composition of total tax expense is explained below:

Profit/(loss) before taxation	10,294	(2,382)
Current tax charge at 19% (2021: 19%)	(1,956)	453
Effect of –		
Non deductible expenses	222	70
Effect of changes in tax rates	14,801	-
Adjustment to tax charge in respect of previous periods	(140)	-
Total tax on profit/(loss)	12,926	523

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.

Macquarie Specialised Asset Services Limited

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

Note 6. Tangible assets

	Cost	Accumulated depreciation	Carrying value
As at 31 March 2022	€	€	€
Assets under operating lease			
Other	30,828	(16,540)	14,288
Total assets under operating lease	30,828	(16,540)	14,288
Total tangible assets	30,828	(16,540)	14,288

The majority of the above amounts have expected useful lives longer than 12 months after the balance date.

The movement in the carrying value of the Company's tangible assets was as follows:

Assets under operating lease	Other	Total
	€	€
Balance at 31 March 2021	94,475	94,475
Cost	187,277	187,277
Accumulated depreciation	(92,802)	(92,802)
Balance at 01 April 2021	94,475	94,475
Acquisitions/additions	-	-
Disposals	(67,638)	(67,638)
Depreciation (Note 4)	(12,549)	(12,549)
Cost	30,828	30,828
Accumulated depreciation	(16,540)	(16,540)
Balance at 31 March 2022	14,288	14,288

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

Assets under operating lease	2022	2021
	€	€
Within one year	14,534	12,635
Between one and two years	-	1,963
Total future minimum lease payments receivable	14,534	14,597

	2022		
Note 7. Loan assets	Gross	ECL allowance	Net
	€	€	€
Finance lease receivables	1,030,670	(6,412)	1,024,258
Total loan assets	1,030,670	(6,412)	1,024,258

Macquarie Specialised Asset Services Limited

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

Note 7. Loan assets (continued)

Finance lease receivables

Finance lease receivables are included within loan assets. The Company provides finance leases to a broad range of clients to support financing needs in acquiring IT equipments.

The following table represents the maturity profile of the contractual undiscounted cashflows of the Company:

	2022		
	Gross investment in finance lease receivables	Unearned income	Present value of minimum lease payments receivable
	€	€	€
Within one year	957,703 -	10,570	947,133
Between one to two years	83,725 -	188	83,537
Total	1,041,428	(10,758)	1,030,670

2022

€

Less: Lease Receivables ECL allowance

Balance at the beginning of the financial year

-

Provided for during the financial year

(6,412)

Balance at the end of the financial year

(6,412)

Net finance lease receivables

1,024,259

Note 8. Debtors

2022

2021

€

€

Trade debtors	-	19,343
Amounts owed by other Macquarie Group undertakings ⁽¹⁾	206,302	89,874
VAT recoverable	697,986	-
Other debtors	846,070	-
Inventories	853	-
Total debtors	1,751,211	109,217

⁽¹⁾ Amounts owed by other Macquarie Group undertakings are unsecured and have no fixed date of repayment.

At the reporting date, amounts owed from other Macquarie Group undertakings has ECL allowance of €Nil (2021: €Nil) which is net presented against the gross carrying amount.

Macquarie Specialised Asset Services Limited

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

Note 9. Deferred tax assets	2022	2021
	€	€

The balance comprises temporary differences attributable to:

Fixed assets	61,670	11,228
Net deferred tax assets	61,670	11,228

Reconciliation of the Company's movement in deferred tax assets

Balance at the beginning of the financial year	11,228	-
Deferred tax charged to profit and loss account for the period	(16,992)	11,228
Effect of changes in tax rates	14,801	-
Adjustment in respect of previous periods	52,633	-
Balance at the end of the financial year	61,670	11,228

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

Note 10. Creditors: amounts falling due within one year

	€	€
Amounts owed to other Macquarie Group undertakings ⁽¹⁾	(95,342)	(29,767)
VAT payable	-	(774)
Taxation	(39,426)	(11,063)
Other Creditors	(32,709)	-
Total creditors: amounts falling due within one year	(167,477)	(41,604)

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

Note 11. Creditors: amounts falling due after more than one year

	€	€
Amounts owed to other Macquarie Group undertakings ⁽¹⁾	(2,602,659)	(115,245)
Total creditors: amounts falling due after more than one year	(2,602,659)	(115,245)

Amounts due to other Macquarie Group undertakings have a maturity date of 12 Sep 2025. The Company incurs interest on amounts owed to other Macquarie Group undertakings.

The Company has not had any defaults of principal, interest or other breaches with respect to its debt during the financial years reported.

Macquarie Specialised Asset Services Limited

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

Note 12. Called up share capital

	2022 Number	2021 Number	2022 €	2021 €
Called up share capital				
Opening balance of fully paid ordinary shares at €1 per share	51,001	1	59,930	1
Issue of 51,000 ordinary shares on 31 March 2021 at €1 per share	-	51,000	-	59,929
Closing balance of fully paid ordinary shares at €1 per share	51,001	51,001	59,930	59,930

Note 13. Profit and loss account

	2022 €	2021 €
Profit and loss account		
Balance at the beginning of the financial year	(1,859)	-
Profit/(loss) for the financial year	23,220	(1,859)
Balance at the end of the financial year	21,361	(1,859)

Note 14. 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 18.

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. The Tripartite Outsourcing Major Services Agreement ("TOMSA") governs 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 15. 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 16. 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.

Macquarie Specialised Asset Services Limited

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

Note 17. Financial risk management Risk Management Group (RMG)

Risk is an integral part of the Macquarie Group's businesses. The principal risks faced by the Group include aggregate, asset, conduct, credit, environmental and social (including climate change), equity, financial crime, legal, liquidity, market, operational (including cyber and information security), regulatory and compliance, reputational, strategic, tax, and work health and safety risks.

The primary responsibility for risk management lies with the business. An important part of the role of all staff throughout Macquarie is to ensure they manage risks appropriately.

RMG is independent of all other areas of the Macquarie Group. RMG approval is required for all material risk acceptance decisions. RMG reviews and assesses risks and sets limits. Where appropriate, these limits are approved by the Executive Committee and the Board. The Head of RMG, as Macquarie's CRO, is a member of the Executive Committee of MGL and MBL and reports directly to the CEO with a secondary reporting line to the Board Risk Committee.

During the current reporting period the Company's credit risk management framework remained consistent with that of the prior period.

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

17.1 Credit risk

Credit risk is the risk that a counterparty will fail to complete its contractual obligations when they fall due. The consequential loss is the amount of the financial obligation not paid back, or the loss incurred in replicating a trading contract with a new counterparty.

Credit risk within the Company is managed on a group basis by the RMG at MGL.

Credit assessment and approval

Exercise of credit authority within Macquarie is undertaken under authority delegated by the MGL and MBL Boards directly. Credit risk assessment includes a comprehensive review of the creditworthiness of the counterparty and related entities, key risk and mitigants, and that the downside risk is properly understood and acceptable.

After this analysis is undertaken, limits are set for an acceptable level of potential exposure. All wholesale limits and ratings are reviewed at least once a year or more frequently if required. Retail credit exposures are monitored by the business units and overseen by RMG Credit on a portfolio basis.

All credit exposures are monitored regularly against limits. For limit monitoring, credit exposures for loan assets are reported at amortised cost or fair value. Derivative exposures are measured using high confidence potential future underlying asset prices.

To mitigate credit risk, where appropriate, the Company makes use of margining and other forms of collateral or credit enhancement techniques (including guarantees, letters of credit and the purchase of credit default swaps).

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

The balances disclosed in the credit risk tables below include only those financial assets items that are subject to the impairment requirements of IFRS 9.

Ratings and reviews

For the purpose of presenting the credit risk associated with assets on the Company's balance sheet in accordance with the requirements of IFRS 9, the following methodology has been adopted:

Wholesale rating

Macquarie wholesale ratings broadly correspond to Standard & Poor's credit ratings as follows:

Credit grading	Internal rating	External equivalent
Investment Grade	MQ1 to MQ8	AAA to BBB-
Non-Investment Grade	MQ9 to MQ16	BB+ to C
Default	MQ99	Default

Macquarie Specialised Asset Services Limited

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

Note 17. Financial risk management (continued)

17.1 Credit risk (continued)

Retail rating

Retail pools are mapped to the credit quality grades based on their PDs.

Mapping retail portfolios to the credit grades has been done for comparability of the overall portfolio presentation and does not reflect the distribution of risk in the portfolio. Management reviews a range of information, including past due status for the portfolio, to assess the credit quality of these assets.

Under IFRS 9, credit quality of retail lending exposures was disclosed based on regulatory PDs (through-the-cycle PDs) and considered the credit rating of the insurance provider for insured mortgages.

Due from related parties

Balances with related parties are mapped to the rating grades assigned internally to these counterparties for the pricing of internal funding arrangements on an arm's length basis.

Portfolio and country risk

A review of the credit portfolio analysing credit concentrations by counterparty, geography, risk type, industry and credit quality is carried out quarterly and reported to the Board semi-annually. Policies are in place to regulate large exposures to single counterparties or groups of counterparties. The Company has a country risk management framework which covers the assessment of country risk and the approval of country risk limits. Where appropriate the country risk is mitigated by political risk insurance.

Credit quality of financial assets

The table below discloses, by credit rating grades and ECL impairment stage, the gross carrying amount⁽¹⁾ of assets measured at amortised cost of the Company subject to the impairment requirements of IFRS 9 *Financial Instruments*. The credit quality is based on the counterparty's credit rating using the Company's credit rating system and excludes the benefit of collateral and credit enhancements.

	As at 31 March 2022			
	Stage 1	Stage 2	Stage 3	Total
	€	€	€	€
Investment grade				
Loan assets	514,951	-	-	514,951
Debtor	1,052,384	-	-	1,052,384
Total Investment grade	1,567,335	-	-	1,567,335
Non-Investment grade				
Loans assets	515,719	-	-	515,719
Total Non-Investment Grade	515,719	-	-	515,719
Total gross credit risk⁽²⁾	2,083,054	-	-	2,083,054
Total gross credit risk by ECL stage				
Debtor	1,052,384	-	-	1,052,384
Loans assets	1,030,670	-	-	1,030,670
Total gross credit risk by ECL stage⁽²⁾	2,083,054	-	-	2,083,054

⁽¹⁾ The gross exposure of financial assets measured at amortised cost represents the amortised cost before ECL allowance. Accordingly, these exposure will not be equal to the amount as presented in the statements of financial position.

⁽²⁾ This balance excludes other non-financial assets of €698,839 which are included in Note 8 - Debtors.

Macquarie Specialised Asset Services Limited

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

Note 17. Financial risk management (continued)

17.1 Credit risk (continued)

	As at 31 March 2021			
	Stage 1	Stage 2	Stage 3	Total
	€	€	€	€
Investment grade				
Debtor	109,275	-	-	109,275
Total Investment grade	109,275	-	-	109,275
Total gross credit risk⁽²⁾	109,275	-	-	109,275
Total gross credit risk by ECL stage				
Debtor	109,275	-	-	109,275
Total gross credit risk by ECL stage⁽²⁾	109,275	-	-	109,275

⁽¹⁾ The gross exposure of financial assets measured at amortised cost represents the amortised cost before ECL allowance. Accordingly, these exposure will not be equal to the amount as presented in the statements of financial position.

Maximum exposure to credit risk

For on-balance sheet instruments, the maximum exposure to credit risk is the carrying amount reported on the balance sheet (Refer to Note 18 *Measurement categories of financial instruments*).

Credit risk concentration

The tables below detail the concentration of credit risk by significant geographical locations and counterparty type of the Company's assets measured at amortised cost subject to the impairment requirements of IFRS 9 *Financial Instruments*. The geographical location is determined by the country of risk. Counterparty type is based on Prudential Regulation Authority ("PRA") classification.

	Government	Financial Institutions	Other	Total
As at 31 March 2022	€	€	€	€
Europe, Middle East & Africa				
Loan assets	-	-	1,030,670	1,030,670
Debtor ⁽¹⁾	-	-	1,052,384	1,052,384
Total Europe, Middle East & Africa	-	-	2,083,054	2,083,054
Total gross credit risk by counterparty type				
Loan assets	-	-	1,030,670	1,030,670
Debtor ⁽¹⁾	-	-	1,052,384	1,052,384
Total gross credit risk by counterparty type	-	-	2,083,054	2,083,054

⁽¹⁾ This balance excludes other non-financial assets of €698,839 which are included in Note 8 - Debtors.

Macquarie Specialised Asset Services Limited

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

Note 17. Financial risk management (continued) Credit risk concentration (continued)

As at 31 March 2021	Government €	Financial Institutions €	Other €	Total €
Europe, Middle East & Africa				
Debtor	-	-	109,275	109,275
Total Europe, Middle East & Africa	-	-	109,275	109,275
Total gross credit risk by counterparty type				
Debtor	-	-	109,275	109,275
Total gross credit risk by counterparty type	-	-	109,275	109,275

Loan Assets

Asset Financing

The Company leases assets and provides asset-related financing to corporate and retail clients. Titles to the underlying assets are held by the Company as collateral. Of the lease portfolio of €10,61,446 (2021: €nil), the credit exposure outstanding after considering the depreciated value of collateral is €234,908 (2021: €nil).

17.2 Liquidity risk

Governance and oversight

Macquarie's liquidity risk management framework is designed to ensure that it is able to meet its funding requirements as they fall due under a range of market conditions.

Liquidity management is performed centrally by Group Treasury, with oversight from the Asset and Liability Committee ("ALCO") and RMG. Macquarie's liquidity policy is approved by the MGL and MBL Boards after endorsement by the ALCO and liquidity reporting is provided to the Boards on a monthly basis. The ALCO includes the MGL CEO, MBL CEO, CFO, CRO, Group Treasurer, Head of Balance Sheet Management and Operating Group Heads.

RMG provides independent oversight of liquidity risk management, including ownership of liquidity policies and key limits and approval of material liquidity scenario assumptions.

Liquidity risk is the risk of an entity encountering difficulty in meeting obligations with respect to its financial liabilities.

Liquidity risk within the Company is managed on a group basis by Group Treasury with oversight from the ALCO and RMG.

Contractual undiscounted cash flows

The following tables summarise the maturity profile of the Company's financial liabilities as at 31 March based on a contractual undiscounted repayment basis and hence would vary from the carrying value as reported in the balance sheet at the reporting date. Repayments subject to notice are treated as if notice were given immediately. This does not reflect the behaviour of the expected cash flows as indicated by the Company's deposit retention history since the Company expects that many customers will not request repayment on the earliest date the Company could be required to pay.

	On demand €	Less than 3 months €	3 to 12 months €	1 to 5 years €	Total €
2022					
Amount owed to group undertakings	(95,341)	(3,709)	(11,126)	(2,654,582)	(2,764,758)
Other creditors	-	(32,709)	-	-	(32,709)
Total undiscounted cash flows⁽¹⁾	(95,341)	(36,418)	(11,126)	(2,654,582)	(2,797,467)

⁽¹⁾Excludes other non-financial liabilities of €39,426 which are included in Note 10 – Creditors: amounts falling due within one year.

Macquarie Specialised Asset Services Limited

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

Note 17. Financial risk management (continued)

17.2 Liquidity risk (continued)

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
2021	€	€	€	€	€
Amount owed to group undertakings	(29,767)	(144)	(431)	(117,829)	(148,170)
Other creditors	-	-	-	-	-
Total undiscounted cash flows⁽¹⁾	(29,767)	(144)	(431)	(117,829)	(148,170)

⁽¹⁾Excludes other non-financial liabilities of €-11,837 which are included in Note 10 – Creditors: amounts falling due within one year.

17.3 Market risk

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

- **Price:** The risk of loss due to changes in price of a risk factor (Interest rates, foreign exchange etc.)
- **Volatility:** The risk of loss due to changes in the volatility of a risk factor.

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

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

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

	Movement in basis points	2022 Sensitivity of equity after tax	2021 Sensitivity of equity after tax
	%	€	€
Pound sterling	+50	501	427
Australian Dollar	+50	14	-
Euro	+50	(6,374)	(646)
United States Dollar	+50	(15)	(5)
Pound sterling	-50	(501)	(427)
Australian Dollar	-50	(14)	-
Euro	-50	6,374	646
United States Dollar	-50	15	5

Macquarie Specialised Asset Services Limited

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

Note 17. Financial risk management (continued)

17.3 Market risk (continued)

Foreign currency risk

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

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

	2022		2021	
	Movement in exchange rates	Sensitivity of equity after	Movement in exchange rates	Sensitivity of equity after tax
	%	€	%	€
Pound sterling	+10	10,632	+10	8,552
United States Dollar	+10	(292)	+10	(94)
Australian Dollar	+10	(171)	+10	-
Total		10,168		8,458
Pound sterling	-10	(10,632)	-10	(8,552)
United States Dollar	-10	292	-10	94
Australian Dollar	-10	171	-10	-
Total		(10,168)		(8,458)

Note 18. Measurement categories of financial instruments

The following table contains information relating to the measurement categories of assets and liabilities of the Company. The descriptions of measurement categories are included in Note 3(iv) *Financial instruments*. The methods and significant assumptions that have been applied in determining the fair values of assets and liabilities are disclosed in Note 19 *Fair values of assets and liabilities*.

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

	Financial Instruments Carried at Amortised cost	Non-financial instruments	Total
2022	€	€	€
Assets			
Tangible assets	-	14,288	14,288
Loan assets	1,024,258	-	1,024,258
Debtors ⁽¹⁾	1,052,372	698,839	1,751,211
Deferred tax asset	-	61,670	61,670
Total assets	2,076,630	774,797	2,851,427
Liabilities			
Creditors: amounts falling due within one year ⁽²⁾	(128,051)	(39,426)	(167,477)
Creditors: amounts falling due after more than one year	(2,602,659)	-	(2,602,659)
Total liabilities	(2,730,710)	(39,426)	(2,770,136)

⁽¹⁾Non-financial assets primarily represents tax receivables.

⁽²⁾Non-financial liabilities primarily represent tax payables.

Macquarie Specialised Asset Services Limited

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

Note 18. Measurement categories of financial instruments (continued)

	Financial Instruments Carried at Amortised cost	Non-financial instruments	Total
2021	€	€	€
Assets			
Tangible assets	-	94,475	94,475
Debtors	109,217	-	109,217
Deferred tax asset	-	11,228	11,228
Total assets	109,217	105,703	214,920
Liabilities			
Creditors: amounts falling due within one year ⁽¹⁾	(29,767)	(11,837)	(41,604)
Creditors: amounts falling due after more than one year	(115,245)	-	(115,245)
Total liabilities	(145,012)	(11,837)	(156,849)

⁽¹⁾Non-financial liabilities primarily represent tax payables.

Note 19. Fair values of assets and liabilities

Fair value reflects the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Quoted prices or rates are used to determine fair value where an active market exists. If the market for a financial instrument is not active, fair values are estimated using present value or other valuation techniques, using inputs based on market conditions prevailing on the measurement date.

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

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

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities:

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

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

The appropriate fair value hierarchy level for an item is determined on the basis of the lowest level input that is significant to the fair value measurement. IFRS 13 Fair Value Measurement requires the use of the price within the bid-offer spread that is most representative of fair value.

Valuation systems will typically generate mid-market prices. The bid-offer adjustment reflects the extent to which bid-offer costs would be incurred if substantially all of the residual net exposure to market risks were closed, on portfolio basis, using available hedging instruments.

The fair values calculated for financial instruments which are carried in the balance sheet at amortised cost (as disclosed in Note 18 *Measurement categories of financial instruments*) are for disclosure purposes only. The following methods and assumptions applied to derive these fair values can require significant judgement by management and therefore may not necessarily be comparable to other financial institutions nor may it be the price at which the asset is sold for a liability repurchased in a market based transaction:

- the fair values of liquid assets and other instruments maturing within three months are approximate to their carrying amounts. This assumption is applied to liquid assets and the short-term portion of all other financial assets and financial liabilities.

Macquarie Specialised Asset Services Limited

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

Note 19. Fair values of assets and liabilities (continued)

- the fair value of amounts owed to or amounts owed by other Macquarie Group undertakings with no fixed maturity approximates their carrying amount as they are short-term in nature or are payable on demand.
- the fair value of financial instruments with variable rate, including cash collateral on lending and borrowing, repurchase agreements is approximately their carrying amount.
- the fair values of all loan assets is determined with reference to changes in interest rates and credit spreads.
- the fair value of fixed rate loans are carried at amortised cost is estimated by reference to current market rates offered on similar loans and the creditworthiness of the borrower.
- the fair value of balances due from/to subsidiaries and other related body corporate entities is approximated by their carrying amount as the balances are generally at variable rate.

Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are reviewed before they are used. Models are calibrated periodically to test these outputs, and reflect the prices from observable current market transactions in the same instrument or other available observable market data.

To the extent possible, models use only observable market data, however management is required to make assumptions for certain inputs that are not supported by prices from observable current market transactions in the same instrument such as volatility and correlation.

The fair value of all financial assets and liabilities approximates their carrying value at balance sheet date and are classified as level 2 in the fair value hierarchy except for loan assets of €1,024 thousand (2021:nil) classified as level 3.

The fair values calculated for financial instruments which are carried on the balance sheet at amortised cost are for disclosure purposes only. The methods and assumptions applied to derive these fair values, as described earlier, can require significant judgement by management and therefore may not necessarily be compared to other financial institutions.

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

Note 20. Offsetting of financial assets and financial liabilities

The Company reports financial assets and financial liabilities on a net basis on the balance sheet when they meet the criteria described in Note 3(iv) – *Financial Instruments*. The following tables provide information on the impact of offsetting that has occurred in the balance sheet, as well as amounts subject to enforceable netting arrangements that do not meet all the criteria for offsetting and therefore presented gross in the balance sheet. Enforceable netting arrangements may allow for net settlement of specified contracts with a counterparty only in the event of default or other pre-determined events, such that their potential effects on the Company's financial position in that circumstance is to settle these contracts as one arrangement. The Company uses a variety of credit risk mitigation strategies in addition to netting and collateral arrangements, therefore amounts presented in this note are not intended to represent the credit risk exposure of the entity, refer to Note 17.1 Credit risk for information on credit risk management.

	Amounts subject to enforceable netting arrangements			Amounts not subject to enforceable netting arrangements	Balance Sheet total
	Subject to offsetting in balance sheet				
	Gross amounts €	Amounts offset €	Net amount presented €	€	€
2022					
Amounts owed by other Macquarie Group undertakings	225,274	(18,972)	206,302	-	206,302
Loan assets	-	-	-	1,024,258	1,024,258
Other debtors ⁽¹⁾	-	-	-	846,070	846,070
Total assets	225,274	(18,972)	206,302	1,870,328	2,076,630

Macquarie Specialised Asset Services Limited

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

Note 20. Offsetting of financial assets and financial liabilities (continued)

Amounts owed to other Macquarie Group

undertakings	(2,716,973)	18,972	(2,698,001)	-	(2,698,001)
Other creditors ⁽²⁾	-	-	-	(32,709)	(32,709)
Total liabilities	(2,716,973)	18,972	(2,698,001)	(32,709)	(2,730,710)

(1) Balance excludes other non-financial assets of €698,839, which are included in Note 8 - Debtors.

(2) Balance excludes other non-financial liabilities of €39,426 which are included in Note 10 - Creditors: amounts falling due within one year.

Amounts subject to enforceable netting arrangements					
Subject to offsetting in balance sheet					
	Gross amounts	Amounts offset	Net amount presented	Amounts not subject to enforceable netting arrangements	Balance Sheet total
2021	€	€	€	€	€
Amounts owed by other Macquarie Group undertakings	184,997	(95,123)	89,874	-	89,874
Trade debtors	19,343	-	19,343	-	19,343
Total assets	204,340	(95,123)	109,217	-	109,217
Amounts owed to other Macquarie Group undertakings	(240,134)	95,123	(145,011)	(1)	(145,012)
Other creditors ⁽¹⁾	-	-	-	-	-
Total liabilities	(240,134)	95,123	(145,011)	(1)	(145,012)

⁽¹⁾ Excludes other non-financial liabilities of €-11,837 which are included in Note 10 - Creditors: amounts falling due within one year.

Amounts owed from/to other Macquarie undertakings netting is governed by the standard terms and rights of set-off as per the MLA. Refer to Note 14 *Related party information* for further details.

Note 21. Ultimate parent undertaking

At 31 March 2022 the immediate parent undertaking of the Company is Macquarie Investments 1 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 Bank Limited ("MBL"), a Company incorporated in Australia. Copies of the consolidated financial statements for MGL and MBL can be obtained from the Company Secretary, Level 6, 50 Martin Place, Sydney, New South Wales, 2000 Australia.

Note 22. 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 Specialised Asset Services Limited

Report on the audit of the financial statements

Opinion

In our opinion, Macquarie Specialised Asset Services 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 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 2022; the Profit and loss account and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 relevant Financial Conduct Authority rules and 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 of 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 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.



Daniel Pearce (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
19 December 2022