MACQUARIE LENDING & INVESTMENT PARTNERS LLP

REGISTRATION NUMBER OC363068

Strategic Report, Board of Managers' Report and Financial Statements for the financial year ended 31 March 2019

MACQUARIE

The LLP's registered office is:
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United Kingdom

2019 Strategic Report, Board of Managers' Report and Financial Statements

Contents

Strategic Report
for the financial year ended 31 March 2019

In accordance with a resolution of the Board of Managers (the "Managers") of Macquarie Lending & Investment Partners LLP (the "Partnership"), the Managers submit herewith the Strategic Report of the Partnership as follows:

Principal activities
The Partnership was incorporated on 23 March 2011. The principal activities of the Partnership during the year ended 31 March 2019 was to invest in notes issued by and loans provided to various Macquarie group companies.

Review of operations
The profit attributable to the members of the Partnership for the financial year ended 31 March 2019 was US$51,636,706 (2018: US$37,479,203).

As at 31 March 2019, the Partnership had net assets of US$1,213,265,320 (2018: US$2,057,756,191).

Principal risks and uncertainties
From the perspective of the Partnership, the principal risks and uncertainties are integrated with the principal risks of the Macquarie Group and are not managed separately. Accordingly, the principal risks and uncertainties of Macquarie Group Limited ("MGL"), which include those of the Partnership, are discussed in MGL's financial statements and can be obtained from the address given in Note 11.

Financial risk management
Risk is an integral part of the Macquarie Group's businesses. The Partnership is exposed to a variety of financial risks that include the effects of credit risk, interest rate risk, foreign exchange risk, and liquidity risk. Additional risks faced by the Partnership include legal, compliance and documentation risk. Responsibility for management of these risks lies with the individual businesses giving rise to them. It is the responsibility of the Risk Management Group ("RMG") to ensure appropriate assessment and management of these risks.

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

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

Liquidity risk
Liquidity risk is the risk of an entity encountering difficulty in meeting obligations with financial liabilities. The Managers 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 Partnership to manage this risk effectively.

Interest rate risk
The Partnership has both interest bearing assets and interest bearing liabilities. Interest bearing assets include receivables from other Macquarie Group undertakings, all of which earn a variable rate of interest. Interest bearing liabilities include payables to other Macquarie Group undertakings, which also incur a variable rate of interest except certain balances with domestic affiliates that incur LIBOR plus margin.

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

Financial risk management (continued)
Foreign exchange risk

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

Other matters
Given the straightforward nature of the business and the information provided elsewhere in this report, the Managers are of the opinion that the production of financial and non-financial key performance indicators, the entity's business impact on the environment and social, community and human rights issues in the Strategic Report is not necessary for an understanding of the development, performance or position of the business.

On behalf of the Board

ABIGAIL NOTTINGHAM
Manager
11 December 2019

Board of Managers' Report
for the financial year ended 31 March 2019

The Board of Managers of Macquarie Lending & Investment Partners LLP (the "Partnership") submits the following report, in respect of the financial year ended 31 March 2019.

Members of the Board of Managers
The Managers who each held office as a member of the Board of Managers throughout the year and until the date of this report, unless disclosed otherwise, were:

J Gordon-Carr	
G Parsons	(resigned on 10 December 2018)
R Thompson	
A Nottingham	(appointed on 10 December 2018)

Results
The profit for the financial year available for discretionary division among members for the financial year ended 31 March 2019 was US$31,636,706 (2018: US$479,203).

Distributions
During the financial year, a distribution of US$20,000,000 (2018: US$37,000,000) was paid to the members of the Partnership.

State of affairs
On 29 June 2018, a loan receivable with a principal amount of US$1,177,183,965 with Macquarie Aerospace Investments Limited matured.

On 24 September 2018, the Partnership paid a distribution of US$20,000,000 to its members.

On 28 September 2018, a loan receivable with a principal amount of US$802,000,000 and a note with a face value of US$74,811,965 with Macquarie Commodities (UK) Limited matured.

On 10 December 2018, the Partnership issued a loan with a principal amount of EUR294,538,534 to Macquarie Euro Limited. In addition, a loan with a principal amount of US$1,198,954,665 was issued to Macquarie Group Investments (UK) No. 2 Limited.

On 11 December 2018, the Partnership redeemed 796,537,514 common units, totalling US$873,580,841(2018: nil) from Macquarie Corporate Holdings Pty Limited (UK Branch).

On 13 March 2019, the Partnership issued a loan with a principal amount of US$347,163,233 to Macquarie Group Investments (UK) No.2 Limited.

There were no other significant changes in the state of the affairs of the Partnership that occurred during the financial year under review other than those previously disclosed in this report.

Board of Managers' Report
for the financial year ended 31 March 2019 (continued)

Events after the reporting period

The Board of Managers of the Partnership approved a distribution of US$32,000,000 to its members on 19 June 2019.

On 10 October 2019, the loan receivable with a principal amount of EUR294,538,534 matured and the Partnership issued a loan with a principal amount of EUR294,538,534 to Macquarie Group Investments (UK) No.1 Limited on the same date. In addition, the loan receivable with a principal amount of US$1,196,954,665 matured and the Partnership issued a loan with a principal amount of US$1,196,954,665 to Macquarie Group Investments (UK) No.1 Limited.

On 15 October 2019, the loan receivable with a principal amount of US$347,163,233 matured and the Partnership issued a loan with a principal amount of US$347,163,233 to the same counterparty on the same date.

As on the date of this report, the Board of Managers are not aware of any matter or circumstance which has arisen that has significantly affected or may significantly affect the operations of the Partnership, the results of those operations, or the state of affairs of the Partnership in the financial years subsequent to 31 March 2019 not otherwise disclosed in this report.

Likely developments, business strategies and prospects

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

The financial risk management objectives and policies of the Partnership and the exposure of the Partnership to credit risk, liquidity risk, interest rate risk and foreign exchange risk are contained within the Strategic Report.

Statement of managers' responsibilities in respect of the financial statements

The Managers are responsible for preparing the Strategic Report, Annual Report and the financial statements in accordance with applicable law and regulation.

Company law, as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the "Regulations"), requires the Managers to prepare financial statements for each financial year. Under that law the Managers have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law, as applied to limited liability partnerships, the Managers 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 limited liability partnership and of the profit or loss of the limited liability partnership for that period. In preparing the financial statements, the Managers 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 the going concern basis unless it is inappropriate to presume that the limited liability partnership will continue in business.

The Managers are also responsible for safeguarding the assets of the limited liability partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Managers are responsible for keeping adequate accounting records that are sufficient to show and explain the limited liability partnership's transactions and disclose with reasonable accuracy at any time the financial position of the limited liability partnership and enable them to ensure that the financial statements comply with the Companies Act 2006 as applied to limited liability partnerships by the Regulations.

Board of Managers' Report
for the financial year ended 31 March 2019 (continued)

Disclosure of information to auditors
So far as the Board of Managers is aware, there is no relevant audit information of which the Partnership's auditors are unaware. The Board of Managers have taken all the steps necessary in order to make itself aware of any relevant audit information and to establish that the Partnership's auditors are aware of that information.

Independent Auditors
The Board of Managers have appointed PricewaterhouseCoopers LLP as auditors of the Partnership. PricewaterhouseCoopers LLP have indicated their willingness to continue in office.

On behalf of the Board of Managers

Manager
ABIGAIL NOTTINGHAM

Independent Auditors' Report to the members of Macquarie Lending & Investment Partners LLP

Report on the financial statements

Our opinion

In our opinion, Macquarie Lending & Investment Partners LLP's financial statements:

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

We have audited the financial statements, included within the Strategic Report, Board of Managers' Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 March 2019; the profit and loss account 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 limited liability partnership 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the limited liability partnership's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The members 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 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.

Independent Auditors' Report to the members of Macquarie Lending & Investment Partners LLP (continued)

Responsibilities for the financial statements and the audit

Responsibilities of the members for the financial statements

As explained more fully in the Statement of Board of Managers' Responsibilities set out on page 4, the members 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 members 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 members are responsible for assessing the limited liability partnership'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 members either intend to liquidate the limited liability partnership 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.

Use of this report

This report, including the opinion, has been prepared for and only for the members of the partnership as a body in accordance with the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 and for no other purpose. We do not, in giving this opinion, 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.

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.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 as applicable to limited liability partnerships we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the limited liability partnership, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Peter Venables

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

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

	Note	2019[1] US$	2018 US$
Interest receivable and similar income	4	54,148,673	44,685,430
Interest payable and similar charges	5	(1,619,604)	(7,373,770)
Net interest income		52,529,069	37,311,660
Administrative (expenses)/income		(16,441)	4,917
Other operating (expense)/income	3	(875,922)	162,626
Total operating (expense)/income		(892,363)	167,543
Profit for the financial year before members' remuneration and profit share		51,636,706	37,479,203
Members' remuneration charged as an expense	8	(20,000,000)	(37,000,000)
Profit for the financial year available for discretionary division among members		31,636,706	479,203

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

[1] The March 2019 financial results reflect the adoption of IFRS 9 – Financial Instruments ("IFRS 9") on 1 April 2018. As permitted by IFRS 9, the Partnership has not restated previously reported financial periods.

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.

Balance sheet
as at 31 March 2019

	Note	2019[1] US$	2018 US$
Current assets			
Debtors	6	**1,891,255,145**	2,063,203,184
Current liabilities			
Creditors: amounts falling due within one year	7	**(677,989,825)**	(5,446,993)
Net current assets		**1,213,265,320**	2,057,756,191
Total assets less current liabilities		**1,213,265,320**	2,057,756,191
Net assets attributable to members of the LLP		**1,213,265,320**	2,057,756,191
Represented by:			
Total members' interests			
Members' capital classified as a liability	8	**1,176,469,159**	2,050,050,000
Members' other interests	8	**36,796,161**	7,706,191
Total Members' interests		**1,213,265,320**	2,057,756,191

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

[1] The March 2019 financial results reflect the adoption of IFRS 9 – Financial Instruments ("IFRS 9") on 1 April 2018. As permitted by IFRS 9, the Partnership has not restated previously reported financial periods.

The financial statements on pages 9 to 21 were authorised for issue by the Board of Managers on 11 December 2019 and signed on its behalf by:

ABIGAIL NOTTINGHAM
Manager

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

	Note	Members' other Interest US$	Total Members' other Interest US$
Balance at 1 April 2017		7,226,988	7,226,988
Profit for the financial year before Members' remuneration and profit share		37,479,203	37,479,203
Members' remuneration charged as an expense		(37,000,000)	(37,000,000)
Balance at 31 March 2018	8	**7,706,191**	**7,706,191**
Change on the initial application of IFRS 9		(2,546,736)	(2,546,736)
Restated balance as at 1 April 2018		**5,159,455**	**5,159,455**
Profit for the financial year before Members' remuneration and profit share		**51,636,706**	**51,636,706**
Members' remuneration charged as an expense		**(20,000,000)**	**(20,000,000)**
Balance at 31 March 2019	8	**36,796,161**	**36,796,161**

Changes in the Members' Other Interests was previously disclosed in the notes accompanying the financial statements. A separate statement disclosing changes in Members' Other Interests is required for the Partnership and it has been corrected by adding this separate statement beginning on the opening balance of the comparative period.

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

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

Note 1. General information

The Partnership is a limited liability partnership and is incorporated and domiciled in the United Kingdom and registered in England and Wales. The address of its registered office is Ropemaker Place, 28 Ropemaker Street, London, EC2Y 9HD, United Kingdom.

Note 2. Summary of significant accounting policies

(i) Basis of preparation

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

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101") and the Companies Act 2006 ("the Act") as applied to limited liability partnerships by the Limited Liability Partnerships (Account and Audit) Regulations, 2008 and as amended by the Companies and Partnerships (Accounts and Audit) Regulations, 2013 (the "Regulations"). The financial statements have been prepared under the historical cost convention.

FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in FRS 101 which addresses the financial reporting requirements and disclosure exemptions in the financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of European Union ("EU") adopted International Financial Reporting Standards ("IFRS").

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

- The requirements of IFRS 7 'Financial Instruments: Disclosures'.
- The requirements of paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- The requirements of IAS 7 'Statement of Cash Flows'.
- The requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- The requirements of paragraph 17 of IAS 24 'Related Party Disclosures' (key management compensation).
- The requirements of IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group where both parties to the transaction are wholly owned within the group.
- The requirements of paragraphs 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).

Critical accounting estimates and significant judgements

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

- Judgement in determining the appropriate business model for a group of financial assets and assessing whether the cash flows generated by an asset constitute solely payment of principal and interest ("SPPI");
- Judgement in measurement of Expected Credit Loss ("ECL") including the choice of inputs, estimates and assumptions relating to information about past events, current conditions and forecasts of economic conditions (Note 2(vi)).

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events.

Management believes the estimates used in preparing the financial statements are reasonable. Actual results in the future may differ from those reported and therefore it is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from our assumptions and estimates could require an adjustment to the carrying amounts of the assets and liabilities reported.

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

Note 2. Summary of significant accounting policies (continued)

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

IFRS 9 *Financial Instruments*

IFRS 9 replaced International Accounting Standard 39 *Financial Instruments: Recognition and Measurement* ("IAS 39") from 1 April 2018. IFRS 9 resulted in changes to accounting policies covering the classification, measurement and impairment of financial assets and the application of hedge accounting. The Partnership has applied the requirements of IFRS 9 in the current financial year beginning 1 April 2018.

Transition:

As permitted by IFRS 9, the Partnership has not restated its comparative financial statements and has recorded transition adjustments to its opening balance of Members' other interests at 1 April 2018 for the impact of the adoption of the IFRS 9 requirements.

The transition adjustment relates to the implementation of the impairment requirements which reduced the Partnership's members' other interest by US$2,546,736 before tax.

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

The key changes in the Partnership's significant accounting policies from the transition to IFRS 9 have been included within the relevant sections of this note and other notes of the financial statements. Accounting policies applicable to the prior period have been provided in *italics* as appropriate for comparability purposes.

IFRS 2017-6 Amendments to IFRS – Prepayment features with negative compensation

IFRS 2017-6 amended IFRS 9 to permit entities to measure at amortised cost particular financial assets that would otherwise have contractual cash flows that meet the SPPI test but do not meet that condition only as a result of a prepayment feature. This is subject to meeting other conditions, such as the nature of the business model relevant to the financial asset. Otherwise, the financial assets would be measured at fair value through profit or loss.

IFRS 2017-6 is effective for annual periods beginning on or after 1 January 2019. The Partnership has early adopted the amendment from 1 April 2018. The impact of this amendment is included in the transition adjustment for IFRS 9.

IFRS 15 *Revenue from Contracts with Customers*

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

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

(ii) Going concern

The Board of Managers have a reasonable expectation that the Partnership has adequate resources to continue in operational existence for the foreseeable future. The Partnership therefore continues to adopt the going concern basis in preparing its financial statements.

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

Note 2. Summary of significant accounting policies (continued)

(iii) Foreign currency translations

Functional and presentation currency

Items included in the financial statements of the Partnership are measured using the currency of the primary economic environment in which the Partnership operates (the functional currency). The Partnership's financial statements are presented in 'United States Dollar' ("USD"), which is also the Partnership's functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

(iv) Revenue and expense recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for each major revenue stream as follows:

Net interest income/expense

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

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

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

Interest income on financial assets and liabilities that are classified as Fair Value Through Profit or Loss ("FVTPL") is accounted for on a contractual rate basis.

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

Other operating expenses/(income)

Other operating expenses/(income) comprises other gains and losses relating to foreign exchange differences and credit impairment charges relating to debtors which are recognised in the profit and loss account.

Expenses

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

(v) Taxation

For income tax purposes, profits and losses of the Partnership are passed through to the members. As a result, no tax provision is reflected in the financial statements of the Partnership. Taxes related to the partnership tax returns are not significant and, when applicable, are included in other operating expenses in the profit and loss account.

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

Note 2. Summary of significant accounting policies (continued)

(vi) Financial instruments

Recognition of financial instruments

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

A financial instrument is initially recognised at fair value adjusted for (in the case of instruments not carried at FVTPL) transaction costs that are incremental and directly attributable to the acquisition or issuance of the financial instrument.

De-recognition of financial instruments

Financial assets

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

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

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

Financial liabilities

Financial liabilities are de-recognised from the balance sheet when the Partnership's obligation has been discharged, cancelled or has expired.

Gains and losses on the derecognition of non-trading related financial assets and liabilities are recognised as other income or expense disclosed as part of other operating income and expenses.

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 Partnership determines the business model at the level that reflects how groups of financial assets are managed. In determining the business model, all relevant evidence that is available at the date of the assessment is used including:

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

The Partnership exercises judgement to determine the appropriate level at which to assess its business models and its intention with respect to its financial assets.

Solely payment of principal and interest ("SPPI")

Key considerations for the SPPI assessment include the timing of the contractual cash flows and the interest component, where interest primarily reflects the time value of money and the credit risk of the principal outstanding.

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

Note 2. Summary of significant accounting policies (continued)

(vi) Financial instruments (continued)

Classification and subsequent measurement (continued)

Amortised cost

A financial asset is subsequently measured at amortised cost using the EIR method if the following conditions are met:

(i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;

(ii) the contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI requirements;

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

Fair value through profit or loss ("FVTPL")

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

Modification of financial instruments

A financial instrument is modified when its original contractual cash flows are renegotiated or modified. A financial instrument that is renegotiated is derecognised if the existing agreement is cancelled and a new agreement is made on substantially different terms or if the existing terms are modified such that the renegotiated financial instrument is a substantially different financial instrument. Where the modification results in de-recognition of the original financial instrument, the new financial instrument is recorded initially at its fair value and the resulting difference is recorded in other income.

For financial instruments measured at amortised cost, when the modification does not result in derecognition, a gain or loss is recognised in other income as the difference between the financial instrument's original contractual cash flows and the modified cash flows discounted at the original EIR.

Reclassification of financial instruments

The Partnership reclassifies debt financial assets when and only when its business model for managing those assets changes. Financial assets that are reclassified are subsequently measured based on the financial instrument's new measurement category.

The Partnership does not reclassify financial liabilities after initial recognition.

Prior to the adoption of IFRS 9, the Partnership's financial assets were classified as loans and receivables, being receivables and amounts due from subsidiaries that were non-derivative financial assets with fixed or determinable payments and that were not quoted in an active market. The measurement and recognition of gains and losses of such assets aligns with that for financial assets classified as at amortised cost in terms of IFRS 9.

Financial liabilities

Financial liabilities are subsequently measured at amortised cost.

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

Offsetting of financial instruments

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

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

Note 2. Summary of significant accounting policies (continued)

(vii) Impairment

Expected credit losses ("ECL")

The ECL requirements apply to financial assets measured at amortised cost. The Partnership applies a three-stage approach to measuring the ECL based on changes in the financial asset's underlying credit risk and includes forward-looking or macro-economic information ("FLI"). Where ECL is modelled collectively for portfolios of exposures, it is modelled as the product of the probability of default ("PD"), the loss given default ("LGD") and the exposure at default ("EAD").

The calculation of ECL requires judgement and the choice of inputs, estimates and assumptions. Outcomes within the next financial period that are different from management's assumptions and estimates could result in changes to the timing and amount of ECL to be recognised.

The ECL is determined with reference to the following stages:

(i) Stage I – 12 month ECL

At initial recognition, and for financial assets for which there has not been a significant increase in credit risk ("SICR") since initial recognition (or for those financial assets for which the credit risk is considered to be low), ECL is determined based on the PD over the next 12 months and the lifetime losses associated with such PD, adjusted for FLI.

(ii) Stage II – Lifetime ECL not credit-impaired

When there has been a SICR since initial recognition, the ECL is determined with reference to the financial asset's life-time PD and the lifetime losses associated with that PD, adjusted for FLI. The Partnership assesses whether there has been a SICR since initial recognition based on qualitative, quantitative, and reasonable and supportable FLI that includes significant management judgement.

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

Interest income is determined by applying the financial asset's EIR to the financial asset's gross carrying amount.

(iii) Stage III – Lifetime ECL credit-impaired

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

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

Interest income is determined by applying the financial asset's EIR to the financial asset's amortised cost carrying value, being the gross carrying value after the ECL provision.

(iv) Purchased or originated credit-impaired financial assets ("POCI")

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

The loss allowances for ECL are presented in the balance sheet relates to debtors measured at amortised cost – as a deduction to the gross carrying amount.

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

Note 2. Summary of significant accounting policies (continued)

(vii) Impairment (continued)

Expected credit losses ("ECL") (continued)

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

Prior to the adoption of IFRS 9, credit impairment provisions were recognised on an incurred loss basis. Key differences included:

- *an impairment loss was recorded where there was objective evidence of impairment as a result of one or more events (loss event) which had an impact on the estimated future cash flows of the financial asset that could be reliably estimated*
- *where the credit risk of an exposure had deteriorated but there was no objective evidence of impairment, no credit impairment was required to be recognised*
- *forward looking or macroeconomic information was not required to be incorporated into the determination of the credit impairment loss*
- *credit impairments were only required to be recognised for on-balance sheet exposures.*

Credit impairments were calculated on the basis of the difference between the exposure's carrying value and the present value of expected future cash flows, discounted using the original EIR.

(viii) Offsetting financial instruments

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

(ix) Members' capital

In accordance with International Accounting Standard 32, all Members' capital and loan contributions are classified as debt rather than equity since the Partnership is in existence for a fixed period. Any distributions paid to Members are recognised as an expense attributable to Members in the profit and loss account.

The subscription and repayment of amounts subscribed to by the Managers and drawings by the Managers will be governed by Macquarie Lending & Investment Partners LLP Limited Liability Partnership Deed.

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

	2019 US$	2018 US$
Note 3. Other operating expense/(income)		
Expense/(income) on ordinary activities is stated after charging/(crediting):		
Credit impairment charges relating to debtors[1]	877,666	-
Foreign exchange gains	(1,744)	(162,626)
Auditors' remuneration:		
Fees payable to the Partnership's auditors for the audit of the Partnership	15,028	13,885

The Partnership had no employees during the year (2018: nil).

[1] The change in expected credit losses relating to financial assets under IFRS 9 is recorded under Credit Impairment charges. Individual and collective provisions for March 2018 remain in accordance with IAS 39 and have not been restated.

Note 4. Interest receivable and similar income

Interest receivable from other Macquarie Group undertakings	54,148,673	44,685,430
Total interest receivable and similar income	**54,148,673**	44,685,430

Interest represents interest income calculated using the effective interest method on financial assets measured at amortised cost.

Note 5. Interest payable and similar charges

Interest payable to other Macquarie Group undertakings	1,619,604	7,373,770
Total interest payable and similar charges	1,619,604	7,373,770

Interest represents interest expenses calculated using effective interest method on financial liabilities measured at amortised cost.

Note 6. Debtors

Amounts owed by other Macquarie Group undertakings	1,891,255,145	2,063,203,184
Total debtors	1,891,255,145	2,063,203,184

Debtors represent amounts receivable from Macquarie Group undertakings which are in the form of notes/loans with maturity dates as specified below. The Partnership derives interest on these financial instruments and the rates are mentioned below:

For the year ended 31st March 2019

Group Undertaking	Amount	Maturity Date	Rates
Macquarie Group Investments (UK) No. 2 Limited	1,197,290,172	10/10/2019	1m USD LIBOR + 0.63% margin
Macquarie Group Investments (UK) No. 2 Limited	347,218,434	15/10/2019	1m USD LIBOR + 0.72% margin
Macquarie Euro Limited	329,483,215	10/10/2019	1m EURO LIBOR + 0.88% margin

At the reporting date, the total ECL allowance relating to the receivables above is US$3,164,723 (2018: nil) which is net presented against the gross carrying amount.

Other amounts owed by other Macquarie Group undertakings are unsecured and have no fixed date of repayment. The Partnership derives interest on intercompany loans to group undertakings at market rates and at 31 March 2019 the rate applied was between LIBOR plus 1.18% and LIBOR plus 1.93%.

At the reporting date, amounts owed from other Macquarie Group undertakings has ECL allowance of US$7,626 (2018: nil) which is net presented against the gross carrying amount.

Note 6. Debtors (continued)

For the year ended 31st March 2018

Group Undertaking	Amount	Maturity Date	Rates
Macquarie Commodities (UK) Limited	808,340,581	28/09/2018	9m-12m USD LIBOR + margin between 0.38% and 0.87%
Macquarie Commodities (UK) Limited	75,656,091	28/09/2018	6m-12m USD LIBOR + margin between 0.42% and 0.72%
Macquarie Aerospace Investments Limited	1,179,206,513	29/06/2018	1m USD LIBOR + margin between 0.29% and 0.79%

The above debtors were settled in the current year.

	2019 US$	2018 US$
Note 7. Creditors: Amounts falling due within one year		
Amount owed to other entities in the Macquarie Group	677,989,825	5,446,993
Total creditors	**677,989,825**	5,446,993

For the year ended 31 March 2019

Group Undertaking	Amount	Maturity Date	Rates
Macquarie Corporate Holdings Pty Limited	347,753,214	15/10/2019	1m USD LIBOR + 0.72% margin
Macquarie Corporate Holdings Pty Limited	330,236,611	10/10/2019	1m EURO LIBOR + 0.63% margin

For the year ended 31 March 2018

Amount owed to other Macquarie Group undertakings are unsecured and have no fixed date of repayment. The Partnership incurs interest on amounts owed to other Macquarie Group undertakings at market rates and at 31 March 2018 the rate applied was LIBOR plus 1.94%.

Note 8. Loans and other debts due to members

	2019 US$	2018 US$
Members' capital classified as a liability under IAS 32:		
Opening balance	2,050,050,000	1,450,050,000
Contribution during the year	-	600,000,000
Redemption during the year	(873,580,841)	-
Closing balance	**1,176,469,159**	2,050,050,000

	2019 US$	2018 US$
Members' other interests:		
Amounts brought forward from the previous financial year	7,706,191	7,226,988
Change on initial application of IFRS 9	(2,546,736)	-
Restated balance as at 1 April 2018	5,159,455	7,226,988
Profit for the financial year before Members' remuneration and profit share	51,636,706	37,479,203
Members' remuneration charged as an expense[1]	(20,000,000)	(37,000,000)
Closing balance	**36,796,161**	7,706,191

Members' capital and loan contribution are classified as debt rather than equity since the Partnership is in existence for a term in force until terminated by agreement.

[1] Members' remuneration charged as an expense was paid out to the members of the Partnership on 24 September 2018 - Macquarie Americas Holdings Pty Ltd - US$529 (2018: US$1,109), Macquarie Bank Limited (London Branch) - US$19,999,471(2018: US$36,998,891).

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

Note 9. Related party information

As 100% of the voting rights of the Partnership are controlled within the group headed by MGL, incorporated in Australia, the Partnership 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 Partnership is included, can be obtained from the address given in Note 11.

The Partnership 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 10. Contingent liabilities and assets

The Partnership has no commitments or contingent assets/liabilities (2018: nil) which are individually material or a category of commitments or contingent liabilities which are material.

Note 11. Ultimate Parent undertaking

At 31 March 2019 the immediate parent undertaking of the Partnership is Macquarie Corporate Holdings Pty Limited (UK Branch).

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

Note 12. Events after the reporting period

The Board of Managers of the Partnership approved a distribution of US$32,000,000 to its members on 19 June 2019.

On 10 October 2019, the loan receivable with a principal amount of EUR294,538,534 matured and the Partnership issued a loan with a principal amount of EUR294,538,534 to Macquarie Group Investments (UK) No.1 Limited on the same date. In addition, the loan receivable with a principal amount of US$1,196,954,665 matured and the Partnership issued a loan with a principal amount of US$1,196,954,665 to Macquarie Group Investments (UK) No.1 Limited.

On 15 October 2019, the loan receivable with a principal amount of US$347,163,233 matured and the Partnership issued a loan with a principal amount of US$347,163,233 to the same counterparty on the same date.

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