

MACQUARIE LENDING & INVESTMENT PARTNERS LLP

REGISTRATION NUMBER OC363068

Board of Managers' Report and Financial Statements
for the financial year ended 31 March 2020



MACQUARIE



The LLP's registered office is:
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United Kingdom

Macquarie Lending & Investment Partners LLP

2020 Board of Managers' Report and Financial Statements Contents

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Macquarie Lending & Investment Partners LLP

Board of Managers' Report for the financial year ended 31 March 2020

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 2020.

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
R Thompson
A Nottingham

Principal activities

The principal activity of the Partnership during the year ended 31 March 2020 was to provide intercompany funding to other Macquarie related entities.

Results

The results for the financial year ended 31 March 2020 was US\$30,299,468 (2019: profit US\$51,636,706).

Distributions

During the financial year, a distribution of US\$32,000,000 (2019: US\$20,000,000) was paid to the members of the Partnership.

State of affairs

On 10 October 2019, the loan receivable with a principal amount of US\$324,073,465 to Macquarie Euro Limited matured and the Partnership issued a loan with a principal amount of US\$324,073,465 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 to Macquarie Group Investments (UK) No.2 Limited 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 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.

Events after the reporting period

On 10 July 2020, the loan receivable to Macquarie Group Investments (UK) No.1 Limited with a principal amount of US\$332,814,893 matured.

On 10 July 2020, the loan receivable to Macquarie Group Investments (UK) No.1 Limited with a principal amount of US\$1,196,954,665 matured.

On 10 July 2020, loans payable with a principal amounts of US\$332,814,893 and US\$347,163,233 to Macquarie Corporate Holdings Pty Limited matured. On the same date, the Partnership borrowed a loan from Macquarie Corporate Holdings Pty Limited with a principal amount of US\$332,814,893 and on the same date, the Partnership issued a loan to Macquarie Euro Limited for the same amount.

On 10 July 2020, the loan receivable to Macquarie Group Investments (UK) No.2 Limited with an outstanding amount of US\$452,836,767 with an initial maturity date of 21 August 2020 was rolled up for a tenor of 2 years. On the same date, an additional loan of US\$127,163,233 was issued to the same counterparty.

Macquarie Lending & Investment Partners LLP

Board of Managers' Report for the financial year ended 31 March 2020 (continued)

Events after the reporting period (continued)

On 10 July 2020, the Partnership redeemed 553,035,070 and 50,000 shares held by Macquarie Corporate Holdings Pty Limited and Macquarie Financial Holdings Pty Limited respectively. On the same date, the Partnership issued 50,000 shares to Macquarie Principal Finance Pty Limited.

On 28 September 2020, the Board of Managers of the Partnership approved a distribution of US\$21,000,000 to its members.

As on the date of this report, the Board of Managers are not aware of any other 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 2020 not otherwise disclosed in this report.

Likely developments, business strategies and prospects

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

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

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

Coronavirus (COVID-19)

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

A robust risk management framework continues to be applied and RMG continues to monitor the impact of COVID-19 on the Partnership's risk profile. The Partnership is not subject to material impact with respect to COVID-19. Non-financial risks emerging from global movement restrictions, and remote working by our staff, counterparties, clients and suppliers, are being identified, assessed, managed and governed through timely application of the Partnership's risk management framework. The Partnership is not subject to material impact with respect to COVID-19, refer accounting considerations on the Partnership's results disclosed under Note 2.

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

Indemnification and insurance of the Board of Managers

As permitted by the LLP Agreement, the Board of Managers have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The ultimate parent purchased and maintained throughout the financial year Managers' liability insurance in respect of the Partnership and its Managers.

Macquarie Lending & Investment Partners LLP

Board of Managers' Report for the financial year ended 31 March 2020 (continued)

Statement of Managers' responsibilities in respect of the financial statements

The Board of Managers are responsible for preparing the Managers' Report and the financial statements in accordance with applicable law and regulations.

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

The Managers are also responsible for safeguarding the assets of the 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 Partnership's transactions and disclose with reasonable accuracy at any time the financial position of the Partnership and enable them to ensure that the financial statements comply with the Companies Act 2006.

Disclosure of information to auditors

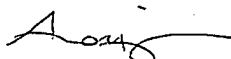
In the case of each Manager in office at the date the Board of Managers' Report is approved:

- so far as the Manager is aware, there is no relevant audit information of which the Partnership's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Manager in order to make themselves aware of any relevant audit information and to establish that the Partnership's auditors are aware of that information.

Independent Auditors

Pursuant to the 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"), the auditors of the Partnership are deemed re-appointed for each financial year unless the Managers or the members of the Partnership 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 Managers are not aware of any resolution to terminate the appointment of the auditors.

On behalf of the Board of Managers,



Abigail Nottingham
Manager
18 February 2021

Independent auditors' report to the Managers of Macquarie Lending & Investment Partners LLP

Report on the audit of the financial statements

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 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006 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 Board of Managers' Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 March 2020; 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 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 where:

- the Managers' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Managers 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 Managers 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 Managers of Macquarie Lending & Investment Partners LLP

Responsibilities for the financial statements and the audit

Responsibilities of the Managers for the financial statements

As explained more fully in the Statement of Managers' responsibilities in respect of the financial statements set out on page 4, the Managers 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 Managers 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 Managers 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 Managers 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.

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 opinion, has been prepared for and only for the Managers 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.

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.



Martin Cross (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
22 February 2021

Macquarie Lending & Investment Partners LLP

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

	Note	2020 US\$	2019 US\$
Interest receivable and similar income	4	44,314,742	54,148,673
Interest payable and similar charges	5	(10,588,455)	(1,619,604)
Net interest income		33,726,287	52,529,069
Administrative expenses	3	(171,533)	(16,441)
Other operating expense	3	(3,255,286)	(875,922)
Total operating expense		(3,426,819)	(892,363)
Profit for the financial year before members' remuneration and profit shares available for discretionary division among members		30,299,468	51,636,706

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

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 Lending & Investment Partners LLP

Balance sheet as at 31 March 2020

	Note	2020 US\$	2019 US\$
Current assets			
Debtors	6	1,883,484,346	1,891,255,145
Current liabilities			
Creditors: amounts falling due within one year	7	(671,765,586)	(677,989,825)
Net current assets		1,211,718,760	1,213,265,320
Total assets less current liabilities		1,211,718,760	1,213,265,320
Provisions for liabilities	8	(153,972)	-
Net assets		1,211,564,788	1,213,265,320
Net assets attributable to members of the LLP		1,211,564,788	1,213,265,320

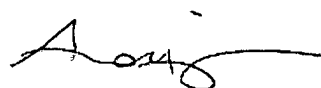
Represented by:

Total members' interests

Members' capital classified as a liability	9	1,176,469,159	1,176,469,159
Members' other interests	9	35,095,629	36,796,161
Total Members' interests		1,211,564,788	1,213,265,320

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 7 to 19 were authorised for issue by the Board of Managers on 18 February 2021 and signed on its behalf by:



Abigail Nottingham
Manager

Macquarie Lending & Investment Partners LLP

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

	Note	Members' other interest US\$	Total Members' other interest US\$
Balance 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
Distribution of profits to members ⁽¹⁾		(20,000,000)	(20,000,000)
Balance at 31 March 2019	9	36,796,161	36,796,161
Profit for the financial year before Members' remuneration and profit share		30,299,468	30,299,468
Distribution of profits to members		(32,000,000)	(32,000,000)
Balance at 31 March 2020	9	35,095,629	35,095,629

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.

⁽¹⁾The amounts are represented in the current year as 'Distribution of profits to members' which was incorrectly presented as 'Member's remuneration charged as an expense' in the previous year. Refer Note 2(xi).

Macquarie Lending & Investment Partners LLP

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

Note 1. General information

The Partnership was formed as a Limited Liability Partnership under the laws of the United Kingdom on 23rd March 2011. The Liability Limited Partnership's 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 are set out below. These policies have been consistently applied to all the financial 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 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;
- judgement in the choice of inputs, estimates and assumptions used in the measurement of Expected Credit Loss ("ECL") including the determination of significant increase in credit risk ("SICR"), forecasts of economic conditions and the weightings assigned thereto.

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.

Macquarie Lending & Investment Partners LLP

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

Note 2. Summary of significant accounting policies (continued)

Coronavirus (COVID-19) impact

Background

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

Processes applied

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

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

Consideration of the statements of financial position and further disclosures

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

Loans and receivables

In response to COVID-19 the Partnership undertook a review of wholesale and retail credit portfolios, loan to other Macquarie entities and other financial asset exposures and the ECL for each. The review considered the macroeconomic outlook, customer credit quality, the type of collateral held, exposure at default, and the effect of payment deferral options as at the reporting date. The ECL methodology, SICR thresholds, and definition of default remained consistent with prior periods. The impact of COVID-19 on the credit risk management disclosures, notably in relation to credit quality and collateral and other credit enhancements was also considered. Refer to Note 6.

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

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

(ii) Going concern

The 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.

(iii) Foreign currency translations

Functional and presentation currency

The functional currency of the Partnership is determined as the currency of the primary economic environment in which the Partnership operates. 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 Partnership's functional currency using the exchange rates prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the net trading income.

Macquarie Lending & Investment Partners LLP

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

Note 2. Summary of significant accounting policies (continued)

(iv) Revenue and expense recognition

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 the 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 to the net carrying amount of the financial asset.

Interest income on financial assets that are not credit impaired is determined by applying the financial asset's EIR to the financial asset's gross carrying amount. Interest income on financial assets that are not classified as POCI but are subsequently classified as credit impaired (stage 3), 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.

Other operating income/(expenses)

Other operating income/(expenses) 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 recognised in the profit and loss account as and when the provision of services is received.

(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.

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

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

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

Macquarie Lending & Investment Partners LLP

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

Note 2. Summary of significant accounting policies (continued)

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

De-recognition of financial instruments

Financial assets

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

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

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

Macquarie Lending & Investment Partners LLP

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

Note 2. Summary of significant accounting policies (continued)

(vi) Financial instruments (continued)

Classification and subsequent measurement (continued)

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

The 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")

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

Amortised cost

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

- (i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
- (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI requirements;
- (iii) the financial asset has not been designated to be measured at DFVTPL.

Interest income determined in accordance with the EIR method is recognised in interest income. Gains and losses arising from the derecognition of financial assets that are measured on an amortised cost basis are recognised as part of other operating income and expenses.

Fair value through profit or loss ("FVTPL")

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

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

- financial assets that are held for active trading. This classification includes all derivative financial assets, except those that are designated as hedging instruments in qualifying hedge relationships and are classified as FVPTL
- financial assets that have been designated to be measured at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch ("DFVTPL")
- financial assets in a business model whose objective is achieved by managing the financial assets on a fair value basis in order to realise gains and losses as opposed to a business model in which the objective is to collect contractual cash flows
- financial assets that fail the SPPI test (FVTPL).

Equity financial assets are measured at FVTPL.

Changes in the fair value of financial instruments held for the purpose of trading are recognised in net trading income. Changes in the fair value of financial assets that are DFVTPL and FVTPL are recognised as part of other operating income and expenses.

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

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.

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Notes to the financial statements

for the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

(vi) Financial instruments (continued)

Financial liabilities

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

- the liability contains embedded derivatives which must otherwise be separated and carried at fair value, or
- such a designation eliminates or significantly reduces an accounting mismatch that would otherwise have arisen.

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

Offsetting of financial instruments

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

(vii) Provisions

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

(viii) Due to/from related entities

Transactions between the Partnership and related entities principally arise from the provision of banking and other financial services, lending arrangements and acceptance of funds on deposit, intercompany services and transactions and the provision of financial guarantees.

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

(ix) 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, 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 applies its 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 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.

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Notes to the financial statements

for the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

(ix) Impairment (continued)

Expected credit losses ("ECL") (continued)

(iii) Stage III – Lifetime ECL credit-impaired

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

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

Presentation of loss allowances

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

- Loan assets, loans to related body corporate entities and subsidiaries, associates and joint ventures measured at amortised cost – as a deduction to the gross carrying amount
- Loan assets, loans to associates and joint ventures, and debt financial investments measured at fair value through OCI – as a reduction in the OCI reserve account under equity. The carrying amount of the asset is not adjusted as it is recognised at fair value
- Lease receivables, contract receivables and other assets measured at amortised cost – as a deduction to the gross carrying amount
- Undrawn credit commitments – as a provision included in other liabilities

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.

(x) Members' capital

In accordance with International Accounting Standard (IAS 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 Managers and drawings by Managers will be governed by the Partnership Agreement in accordance with the Partnership Agreement and the requirements of IAS 32.

(xi) Comparatives

In the previous year, the Partnership has incorrectly presented 'Distribution of profits to members' as 'Member's remuneration charged as an expense'. In the current year, changes are reflected in the Statement of changes in equity and Note 9 - Loans and other debts due to members to present US\$ 32,000,000 (2019: US\$ 20,000,000) as Distribution of profits to members in accordance with the Companies Act 2006 requirements.

Macquarie Lending & Investment Partners LLP

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

	2020 US\$	2019 US\$
Note 3. Other operating expense/(income)		
Expense/(income) on ordinary activities is stated after charging/(crediting):		
Credit impairment charges relating to debtors ⁽¹⁾	3,188,879	877,666
Foreign exchange losses/(gains)	66,407	(1,744)
Resource charge from Macquarie Group undertakings	315	1,413
VAT expenses	153,972	-
Auditors' remuneration:		
Fees payable to the Partnership's auditors for the audit of the Partnership	17,246	15,028

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

⁽¹⁾ The change in expected credit losses relating to financial assets under IFRS 9 is recorded under Credit impairment charges.

Note 4. Interest receivable and similar income

Interest receivable from other Macquarie Group undertakings	44,314,742	54,148,673
Total interest receivable and similar income	44,314,742	54,148,673

Includes interest income calculated using effective interest method of \$44,314,742 (2019: \$54,148,673) on the financial assets in the Partnership that are measured at amortised cost.

Note 5. Interest payable and similar charges

Interest payable to other Macquarie Group undertakings	10,588,455	1,619,604
Total interest payable and similar charges	10,588,455	1,619,604

Includes interest expense of \$10,588,455 (2019: \$1,619,604) on the financial liabilities measured at amortised cost.

Note 6. Debtors

Amounts owed by other Macquarie Group undertakings	1,883,484,346	1,891,255,145
Total debtors	1,883,484,346	1,891,255,145

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

For the year ended 31st March 2020

Group Undertaking	Amount	Maturity Date	Rates
Macquarie Group Investments (UK) No.1 Limited ⁽¹⁾	\$1,517,582,252	10/07/2020	1m USD LIBOR + 1.80% margin
Macquarie Group Investments (UK) No. 2 Limited ⁽²⁾	\$346,780,996	21/08/2020	1m USD LIBOR + 1.15% margin

⁽¹⁾ Amounts receivable from Macquarie Group Investments (UK) No.1 Limited matured. Refer to Note 13.

⁽²⁾ Amounts receivable from Macquarie Group Investments (UK) No.2 Limited with an initial maturity date of 21 August 2020 was rolled up for a further tenor of 2 years on 10 July 2020. On the same date, an additional loan of US\$127,163,233 was issued to the same counterparty. Refer to Note 13.

The table above only relates to bespoke loans with specified maturity dates and rates. The remaining balance of US\$19,121,098 relates to 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 2020 the rate applied ranged between LIBOR plus 0.85% and LIBOR plus 1.74%.

At the reporting date, the total ECL allowance relating to the receivables above and amounts owed from other Macquarie Group undertakings is US\$5,660,718 (2019: \$3,172,349) which is net presented against the gross carrying amount.

Macquarie Lending & Investment Partners LLP

Notes to the Financial Statements

for the financial year ended 31 March 2020 (continued)

Note 6. Debtors (continued)

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

The above debtors were settled in the current year.

	2020 US\$	2019 US\$
Note 7. Creditors: Amounts falling due within one year		
Amount owed to other entities in the Macquarie Group	671,765,586	677,989,825
Total creditors	671,765,586	677,989,825

For the year ended 31 March 2020

Group Undertaking	Amount	Maturity Date	Rates
Macquarie Corporate Holdings Pty Limited	\$347,233,424	21/08/2020	1m USD LIBOR + 1.36% margin
Macquarie Corporate Holdings Pty Limited	\$324,532,162	10/07/2020	1m EURO LIBOR + 0.43% margin

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

Note 8. Provisions for liabilities

Other provisions	153,972	-
Total provisions	153,972	-

The above amounts are expected to be settled after 12 months of the reporting date by the Company.

Note 9. Loans and other debts due to members

Members' capital classified as a liability under IAS 32:

Opening balance	1,176,469,159	2,050,050,000
Redemption during the year	-	(873,580,841)
Closing balance	1,176,469,159	1,176,469,159

Members' other interests:

Amounts brought forward from the previous financial year	36,796,161	7,706,191
Change on initial application of IFRS 9	-	(2,546,736)
Restated balance as at 1 April	36,796,161	5,159,455
Profit for the financial year before Members' remuneration and profit share	30,299,468	51,636,706
Distribution of profits to members ⁽¹⁾⁽²⁾	(32,000,000)	(20,000,000)
Closing balance	35,095,629	36,796,161

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⁾ A distribution was paid out to the members of the Partnership on 19 June 2019 - Macquarie Corporate Holdings Pty Limited (UK Branch) - US\$31,998,534 (2019:nil), Macquarie Financial Holdings Pty Limited - US\$1,466 (2019: nil), Macquarie Americas Holdings Pty Ltd - nil (2019: US\$529), Macquarie Bank Limited (London Branch) - nil (2019: US\$19,999,471).

⁽²⁾ Refer to Note 2(xi).

Macquarie Lending & Investment Partners LLP

Notes to the Financial Statements

for the financial year ended 31 March 2020 (continued)

Note 10. Related party information

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

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

As 100% of the voting rights of the 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 12.

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 11. Contingent liabilities and commitments

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

Note 12. Ultimate Parent undertaking

At 31 March 2020 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 13. Events after the reporting period

On 10 July 2020, the loan receivable to Macquarie Group Investments (UK) No.1 Limited with a principal amount of US\$332,814,893 matured.

On 10 July 2020, the loan receivable to Macquarie Group Investments (UK) No.1 Limited with a principal amount of US\$1,196,954,665 matured.

On 10 July 2020, loans payable with a principal amounts of US\$332,814,893 and US\$347,163,233 to Macquarie Corporate Holdings Pty Limited matured. On the same date, the Partnership borrowed a loan from Macquarie Corporate Holdings Pty Limited with a principal amount of US\$332,814,893 and on the same date, the Partnership issued a loan to Macquarie Euro Limited for the same amount.

On 10 July 2020, the loan receivable to Macquarie Group Investments (UK) No.2 Limited with an outstanding amount of US\$452,836,767 with an initial maturity date of 21 August 2020 was rolled up for a tenor of 2 years. On the same date, an additional loan of US\$127,163,233 was issued to the same counterparty.

On 10 July 2020, the Partnership redeemed 553,035,070 and 50,000 shares held by Macquarie Corporate Holdings Pty Limited and Macquarie Financial Holdings Pty Limited respectively. On the same date, the Partnership issued 50,000 shares to Macquarie Principal Finance Pty Limited.

On 28 September 2020, the Board of Managers of the Partnership approved a distribution of US\$21,000,000 to its members.

There were no other material events subsequent to 31 March 2020 that have not been reflected in the financial statements.