MACQUARIE INTERNATIONALE INVESTMENTS LIMITED

COMPANY NUMBER 04957256

Strategic Report, Directors' Report and Financial Statements
for the financial year ended 31 March 2016

MACQUARIE

The Company's registered office is:
Ropemaker Place
28 Ropemaker Street
London EC2Y 9HD
United Kingdom

2016 Strategic Report, Directors' Report and Financial Statements

Contents

Strategic Report
for the financial year ended 31 March 2016

In accordance with a resolution of the directors (the "Directors") of Macquarie Internationale Investments Limited (the "Company"), the Directors submit herewith the Strategic Report of the Company as follows:

Principal activities
The principal activity of the Company is to act as an investment holding company for the following investments:

Macquarie International Holdings Limited ("MIHL"), which acts as a holding company for a number of Asian subsidiaries;
Macquarie Capital Securities (Japan) Limited ("MCSJL"), which operates as a Japanese stockbroking company;
Macquarie Korea Opportunities Management Ltd ("MKOM"), which acts as manager for the Macquarie Korea Opportunities Fund; and
Macquarie Securities Korea Limited ("MSKL"), which operates a securities and derivatives dealing business.

Review of operations
The profit for the financial year ended 31 March 2016 was £111,218,425 as compared to a loss of £1,195,436 in the previous year. The increase is mainly is due to receipt of a dividend from Macquarie Credit Nexus Holdings Limited during the year.

Operating profit for the year ended 31 March 2016 was £102,663,429 as compared to an operating profit of £3,862,597 in the previous year.

Total operating expenses for the year ended 31 March 2016 were £219,931 as compared to operating expenses of £583,813 in the previous year.

Principal risks and uncertainties
From the perspective of the Company, 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 Company, are discussed in its financial statements and can be obtained from the address given in Note 16.

Financial risk management
Risk is an integral part of the Macquarie Group's businesses. The Company is exposed to a variety of financial risks that include the effects of credit risk, liquidity risk, operational risk, market risk and exposure to the performance of its subsidiaries. Additional risks faced by the Company 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 Company manages risk within the framework of the overall strategy and risk management structure of the Macquarie Group. RMG is independent of all other areas of the Macquarie Group, reporting directly to the Managing Director and the Board of MGL. The Head of RMG is a member of the Executive Committee of MGL. RMG authority is required for all material risk acceptance decisions. RMG identifies, quantifies and assesses all material risks and sets prudential limits. Where appropriate, these limits are approved by the Executive Committee and the Board of MGL. The risks which the Company 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.

Strategic Report (continued)
for the financial year ended 31 March 2016

Financial risk management (continued)

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 Directors have adopted the risk model used by the Macquarie Group, as approved by RMG. This model is incorporated into the Macquarie Group's risk management systems to enable the Company to manage this risk effectively.

Interest rate risk
The Company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include cash balances and receivables from other Macquarie Group undertakings, 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.

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

Key performance indicators (KPIs)
Given the straightforward nature of the business and the information provided elsewhere in this report, the Directors are of the opinion that the production of KPIs in the Strategic Report is not necessary for an understanding of the development, performance or position of the business. KPIs are monitored at the Macquarie Group level.

On behalf of the Board

Director ROBERT THOMPSON
29/09/2016

Directors' Report
for the financial year ended 31 March 2016

In accordance with a resolution of the Directors of Macquarie Internationale Investments Limited, the Directors submit herewith the audited financial statements of the Company and report as follows:

Directors and Secretaries

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

J Dyckhoff	(appointed on 7 December 2015)
M Gummer	(resigned on 7 December 2015)
J Somrah	(appointed on 7 December 2015)
R Thompson	

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

H Everitt
O Shepherd

Results

The profit for the financial year ended 31 March 2016 was £111,218,425 (2015: loss of £1,195,436).

Dividends paid or provided for

No dividends were paid or provided for during the financial year (2015: £nil).

State of affairs

The Company's subsidiary Macquarie Securities Korea Limited ("MSKL") surrendered its regulatory licence on 4 March 2015. Consequently, due to reduced capital requirements, it returned excess capital of KRW 95,000,000,000 to the Company on 16 June 2015.

On 21 April 2015, the Company received a dividend of US$158,000,000 and a capital distribution of US$499,501,000 from its subsidiary, Macquarie Credit Nexus Holdings Limited ("MCNHL"). A portion of these funds were utilized to repay a loan of US$430,000,000 from its parent Macquarie (UK) Group Services Limited ("MUGS").

On 28 August 2015, the Company made a further investment of KRW 3,025,000,000 in Macquarie Korea Opportunities Management Ltd ("MKOM") by acquiring 55,000 units at KRW 55,000 each.

The Company's subsidiary MCNHL was dissolved on 28 December 2015. The Company made a net gain of £5,711,265 on account of distribution of net assets of the subsidiary on liquidation.

There were no other significant changes in the state of the affairs of the Company that occurred during the financial year under review not otherwise disclosed in this report.

Events after the reporting period

At the date of this report, the Directors are not aware of any other matter or circumstance which has arisen that has significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in the financial years subsequent to 31 March 2016 not otherwise disclosed in this report.

Likely developments, business strategies and prospects

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

Directors' Report (continued)
for the financial year ended 31 March 2016

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

Statement of Directors' responsibilities
The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- notify the Company's shareholders in writing about the use of disclosure exemptions, if any, of FRS101 used in the preparation of the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to Auditors
So far as the Directors are aware, there is no relevant audit information of which the Company's Auditors are unaware. The Directors have taken all the steps necessary in order to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

Independent Auditors
Pursuant to section 487(2) of the Companies Act 2006, the Auditors of the Company are deemed re-appointed for each financial year unless the Directors or the members of the Company resolve to terminate their appointment. As at the date of these financial statements the Directors are not aware of any resolution to terminate the appointment of the auditors.

On behalf of the Board

ROBERT THOMPSON

Director

29/09/2016

Independent Auditor's Report to the members of Macquarie Internationale Investments Limited

Report on the financial statements

Our opinion

In our opinion, Macquarie Internationale Investments Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Strategic Report, Directors' Report and Financial Statements (the "Annual Report"), comprise:

- the balance sheet as at 31 March 2016;
- the profit and loss account for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, 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.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Independent Auditor's Report to the members of Macquarie Internationale Investments Limited (continued)

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Duncan McNab

Duncan McNab (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
29 September 2016

Financial Statements

Profit and loss account
for the financial year ended 31 March 2016

	Note	2016 £	2015 £
Turnover	1(iv)	**102,883,360**	4,446,410
Administrative expenses		**(20,572)**	(25,098)
Other operating expense	2	**(199,359)**	(558,715)
Operating profit		**102,663,429**	3,862,597
Interest receivable and similar income	3	**7,770,284**	5,767,237
Interest payable and similar charges	4	**(4,220,181)**	(12,114,779)
Gain on liquidation of a controlled entity		**5,711,265**	-
Profit/(loss) on ordinary activities before taxation	2	**111,924,797**	(2,484,945)
Tax on profit/(loss) on ordinary activities	5	**(706,372)**	1,289,509
Profit/(loss) for the financial year		**111,218,425**	(1,195,436)

The above profit and loss account should be read in conjunction with the accompanying notes on pages 11 to 24.

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

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

Macquarie Internationale Investments Limited

Balance sheet
as at 31 March 2016

	Notes	**2016** £	2015 £
Fixed assets			
Investments	6	**439,966,790**	827,895,557
Current assets			
Deferred tax assets	7	**473,171**	621,447
Debtors	8	**165,380,410**	22,081,209
Current liabilities			
Creditors: amounts falling due within one year	9	**(298,426,390)**	(654,422,657)
Net current liabilities		**(132,572,809)**	(631,720,001)
Total assets less current liabilities		**307,393,981**	196,175,556
Net assets		**307,393,981**	196,175,556
Capital and reserves			
Ordinary share capital	10	**234,092,157**	234,092,157
Profit and loss account	11	**73,301,824**	(37,916,601)
Total shareholders' funds		**307,393,981**	196,175,556

The above balance sheet should be read in conjunction with the accompanying notes on pages 11 to 24.

The financial statements on pages 8 to 24 were approved by the Board of Directors on 29/09/ 2016 and were signed on its behalf by:

Director
ROBERT THOMPSON

Statement of changes in equity
for the financial year ended 31 March 2016

	Ordinary Share Capital	Profit and loss account	Total shareholders' funds
	£	£	£
Balance at 1 April 2014	234,092,157	(36,721,165)	197,370,992
Loss for the financial year	-	(1,195,436)	(1,195,436)
Other comprehensive income (net of tax)		-	-
Total comprehensive expense	-	(1,195,436)	(1,195,436)
Balance at 31 March 2015	**234,092,157**	**(37,916,601)**	**196,175,556**
Profit for the financial year	**-**	**111,218,425**	**111,218,425**
Other comprehensive income (net of tax)	**-**	**-**	**-**
Total comprehensive income	**-**	**111,218,425**	**111,218,425**
Balance at 31 March 2016	**234,092,157**	**73,301,824**	**307,393,981**

The above statement of changes in equity should be read in conjunction with the accompanying notes on pages 11 to 24.

Notes to the financial statements for the financial year ended 31 March 2016

Note 1. Summary of significant accounting policies

The Company is a private company and is incorporated and domiciled in the UK. The address of its registered office is Ropemaker Place, 28 Ropemaker Street, London EC2Y 9HD, United Kingdom.

i) Basis of preparation

The financial statements have been prepared on a going concern basis and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101") and the Companies Act 2006 (the "Act") as applicable to companies using FRS 101.

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

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

The Company is a qualifying entity for the purposes of FRS 101. Note 16 gives details of the Company's parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

These are the first financial statements of the Company prepared in accordance with FRS 101. The Company's date of transition to FRS 101 is 1 April 2014. The Company has notified its shareholders in writing about, and they do not object to, the use of the disclosure exemptions availed of by the Company in these financial statements.

The Company previously prepared its financial statements in accordance with UK Generally Accepted Accounting Practice ("UK GAAP").

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

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

Note 17 provides details of the impact of adopting FRS 101 on the Company's previously adopted accounting policies. Note 17 gives an explanation of the transition to FRS 101 and a reconciliation of: (i) total shareholders' funds determined in accordance with UK GAAP to total shareholders' funds determined in accordance with FRS 101 as at 1 April 2014 and 31 March 2015; and (ii) profit or loss for the financial year determined in accordance with UK GAAP to profit or loss for the financial year determined in accordance with FRS 101 for the year ended 31 March 2015.

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

- the requirements of paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities to the extent that they apply to non-financial assets);
- the requirements of IFRS 7 'Financial Instruments: Disclosures';
- the requirements of paragraphs 38 of 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 and 111 of IAS 1 'Presentation of Financial Statements' (additional comparatives and capital management disclosures);
- the requirements of IAS 7 'Statement of Cash Flows';
- the requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- the requirements of paragraph 17 of IAS 24 'Related Party Disclosures' (key management compensation);
- the requirements of IAS 24 to disclose related party transactions entered into between two or more members of a group where both parties to the transaction are wholly owned within the group; and
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 'Impairment of Assets'.

Notes to the financial statements (continued)
for the financial year ended 31 March 2016

Note 1. Summary of significant accounting policies (continued)

i) Basis of preparation (continued)

New standards, amendments and IFRS interpretations

No other new accounting standards, or amendments to accounting standards, or IFRS Interpretation Committee that are effective for the year ended 31 March 2016, have had a material impact on the Company.

Historical cost convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain other assets and liabilities (including derivatives) at fair value.

Deficiency of net current assets

The Directors of the Company have prepared the financial statements on a going concern basis despite there being an excess of current liabilities over current assets at 31 March 2016 of £132,572,809. The signing authorities of Macquarie Financial Holdings Pty Limited ("MFHPL") have given a letter of comfort that funds will be provided to the Company directly or indirectly to assist it in settling its liabilities and to pay its debts as and when they fall due.

Critical accounting estimates and significant judgements

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

- fair value of financial assets and financial liabilities (note 14); and
- recoverability of deferred tax assets and measurement of current and deferred tax liabilities (note 5 and 7).

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.

ii) Foreign currency translations

Functional and presentation currency

Items included in the financial statements of foreign operations are measured using the currency of the primary economic environment in which the foreign operation operates (the functional currency). The Company's financial statements are presented in the presentation currency, which is also the Company's functional currency (pounds sterling).

Transactions and balances

Foreign currency transactions are recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. 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.

Notes to the financial statements (continued)
for the financial year ended 31 March 2016

Note 1. Summary of significant accounting policies (continued)

iii) Revenue and expense recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for the major business activities as follows:

Net interest income/expense

Interest income and expense is brought to account using the effective interest method. The effective interest method calculates the amortised cost of a financial instrument and allocates the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or liability. Fees and transaction costs associated with loans are capitalised and included in the effective interest rate and recognised in the profit and loss over the expected life of the instrument.

Dividends

Interim dividends from UK companies are recognised when the dividend proceeds are received by the Company. Final dividends from investments in UK companies and dividends from investments in overseas companies are recognised when the Company becomes entitled to the dividend.

Other gains/losses

Other gains/losses comprises other gains and losses relating to foreign exchange differences including all realised and unrealised fair value changes on derivatives which are recognized in the profit and loss.

Expenses

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

iv) Turnover

Turnover for the year comprises dividend income received from fixed asset investments.

v) Income tax

Tax on the profit for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Current and deferred tax balances attributable to amounts recognized directly in equity are also recognized directly in equity.

Notes to the financial statements (continued)
for the financial year ended 31 March 2016

Note 1. Summary of significant accounting policies (continued)

vi) Derivative instruments

Derivative financial instruments entered into by the Company includes forwards and forward rate agreements, interest rate swaps and currency swaps. These derivative instruments are principally used for the risk management of existing financial assets.

All derivatives, including those used for Balance sheet hedging purposes, are recognised in the Balance sheet and are disclosed as an asset where they have a positive fair value at balance date or as a liability where the fair value at balance date is negative.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured to their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. Movements in the fair values of derivatives are recognised in the profit and loss account.

The best evidence of a derivative's fair value at initial recognition is the transaction price, unless its fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique for which variables include only data from observable markets. Where such alternative evidence exists, the Company recognises profits or losses immediately when the derivative is recognised.

vii) Hedge accounting

The Company designates certain derivatives or financial instruments as hedging instruments in qualifying hedge relationships. On initial designation of the hedge, the Company documents the hedging relationship between hedging instruments and hedged items, as well as its risk management objectives and strategies. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether hedging relationships have been and will continue to be highly effective. Derivatives or financial instruments are designated in following type of hedge relationship:

Fair value hedges

For a derivative or financial instrument designated as hedging the change in fair value of a recognised hedged item (asset or liability or an unrecognised firm commitment), the gain or loss on the derivative or financial instrument is recognised in the profit and loss immediately together with the loss or gain on the hedged item that is attributable to the hedged risk.

viii) Investments and other financial assets

With the exception of derivatives which are classified separately in the Balance sheet, the remaining investments are classified into the following categories: loans and receivables and investments in subsidiaries. The classification depends on the purpose for which the financial asset was acquired and level of influence, which is determined at initial recognition and is re-evaluated at each balance date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Initially these are measured at the amount of the net proceeds after deducting issue costs and are subsequently measured at amortised cost using the effective interest method. This is the amount recognised at initial recognition, minus principal repayments, minus any reduction for impairment and plus or minus the interest cost/income which are allocated to periods over the term of the loan at a constant rate.

Notes to the financial statements (continued)
for the financial year ended 31 March 2016

Note 1. Summary of significant accounting policies (continued)

viii) Investments and other financial assets (continued)

Investments in subsidiaries

Subsidiaries held by the Company are carried in its financial statements at cost less impairment in accordance with IAS 27 Separate Financial Statements. The investments are translated at year end exchange rates as a result of hedge accounting.

Subsidiaries are all those entities over which the Company has the power to direct the relevant activities of the entity, exposure to significant variable returns and the ability to utilise power to affect the Company's own returns. The determination of control is based on current facts and circumstances and is continuously assessed.

The Company has power over an entity when it has existing substantive rights that give it the current ability to direct the entity's relevant activities. Relevant activities are those activities that significantly affect the entity's returns. The Company evaluates whether it has the power to direct the relevant activities. The Company also considers the entity's purpose and design. If the Company determines that it has power over an entity, the Company then evaluates whether it has exposure or rights to variable returns that, in aggregate, are significant. All variable returns are considered including, but not limited to, debt or equity investments, guarantees, liquidity arrangements, variable fees and certain derivative contracts.

The Company determines the dates of obtaining control (i.e. acquisition date) and losing control (i.e. disposal date) of another entity based on an assessment of all pertinent facts and circumstances that affect the ability to direct the relevant activities of that entity. Facts and circumstances that have the most impact include the contractual arrangements agreed with the counterparty, the manner in which those arrangements are expected to operate in practice and whether regulatory approval is required to complete. The acquisition or disposal date does not necessarily occur when the transaction is closed or finalised under law.

Any gain or loss on disposal or liquidation of a subsidiary is recognised in the profit and loss account in the year in which an undertaking ceased to be a subsidiary. The gain or loss on cessation is the difference between the carrying amount of the investments in subsidiary before cessation and the net proceeds received.

ix) Impairment

Loans and receivables

Loans and receivables are subject to regular review and assessment for possible impairment. Provisions for impairment are recognised in the profit and loss account and re-assessed at each balance sheet date. A provision for impairment is recognised when there is objective evidence of impairment, and is calculated based on the present value of expected future cash flows, discounted using the original effective interest rate.

If, in a subsequent year, the amount of impairment losses decrease and the decrease can be related objectively to an event occurring after the impairment losses were recognised, the previously recognised impairment losses are reversed through the profit and loss account to the extent of the impairment earlier recognised.

Investments in subsidiaries

Investments in subsidiaries are reviewed annually for indicators of impairment, or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the investment's carrying amount exceeds its recoverable amount (which is the higher of fair value less costs to sell and value in use). At each reporting date, investments in subsidiaries that have suffered impairment are reviewed for possible reversal of the impairment.

x) Financial liabilities

The Company has on issue debt securities and instruments which are initially recognised at fair value net of transaction costs incurred, and subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit and loss over the period of the borrowings using the effective interest method.

Notes to the financial statements (continued)
for the financial year ended 31 March 2016

Note 1. Summary of significant accounting policies (continued)

xi) Offsetting financial assets and liabilities

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 recognised amounts and there is an intention to settle on a net basis, or realise the financial asset and settle the financial liability simultaneously.

xii) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

xiii) Comparatives

Where necessary, comparative information has been reclassified to conform with changes in presentation in the current year.

Notes to the financial statements (continued)
for the financial year ended 31 March 2016

	2016 £	2015 £
Note 2. Profit/(loss) on ordinary activities before taxation		
Profit/(loss) on ordinary activities before taxation is stated after charging:		
Foreign exchange losses	**199,359**	558,715
Auditors' remuneration		
Fees payable to the Company's auditors for the audit of the Company	**12,348**	11,720
Gain on liquidation of a controlled entity[1]	**5,711,265**	-
The Company had no employees during the year (2015: nil).		

[1]The Company made a net gain of £5,711,265 on account of distribution of net assets of the subsidiary on liquidation.

Note 3. Interest receivable and similar income

	2016 £	2015 £
Interest receivable from other Macquarie Group undertakings	**7,755,618**	5,753,721
Interest receivable from unrelated parties	**14,666**	13,516
Total interest receivable and similar income	**7,770,284**	5,767,237

Note 4. Interest payable and similar charges

	2016 £	2015 £
Interest payable to other Macquarie Group undertakings	**4,190,713**	12,114,779
Interest payable to unrelated parties	**29,469**	-
Total interest payable and similar charges	**4,220,181**	12,114,779

Note 5. Tax on profit/(loss) on ordinary activities

	2016 £	2015 £
Analysis of tax charge/(credit) for the year:		
Current tax		
UK corporation tax at 20% (2015: 21%)	**553,506**	(1,446,860)
Adjustment in respect of previous years	**4,377**	150
Foreign tax suffered	**9,907**	175,013
Double tax relief	**(9,694)**	-
Total current tax	**558,096**	(1,271,697)
Deferred tax		
Origination and reversal of temporary differences	**95,703**	(17,854)
Effect of changes in tax rates	**52,573**	42
Total deferred tax	**148,276**	(17,812)
Tax on profit/(loss) on ordinary activities	**706,372**	(1,289,509)

Factors affecting tax charge/(credit) for the year:

The income tax expense for the year is lower (2015: higher) than the standard rate of corporation tax in the UK of 20% (2015: 21%). The differences are explained below:

	2016 £	2015 £
Profit/(loss) on ordinary activities before taxation	**111,924,797**	(2,484,945)
Profit/(loss) on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 20% (2015: 21%)	**(22,384,960)**	521,837
Effects of:		
Adjustments in respect of prior years	**(4,377)**	(150)
Foreign tax suffered	**(9,905)**	(175,013)
Double tax relief	**9,694**	-
Non assessable income	**21,735,750**	942,877
Effect of changes in tax rates	**(52,574)**	(42)
	(706,372)	1,289,509

The UK corporation tax rate was reduced from 21% to 20% with effect from 1 April 2015, and will further reduce to 19% from 1 April 2017 and to 18% from 1 April 2020. Deferred tax has been measured at 18%.

Notes to the financial statements (continued)
for the financial year ended 31 March 2016

	2016 £	2015 £
Note 6. Investments		
Investments in subsidiaries		
Investments at cost without provisions for impairment	**439,966,790**	827,895,557
Total Investments	**439,966,790**	827,895,557
Reconciliation of movement in investments		
Balance at the beginning of the financial year	**827,895,557**	784,228,661
Additions	**1,649,443**	-
Revaluation and foreign exchange movements	**(9,718,927)**	43,666,896
Disposals	**(379,859,283)**	-
Balance at the end of the financial year	**439,966,790**	827,895,557

Name of investment	Nature of business	Registered office	% ownership	2016 £	2015 £
Macquarie Capital Securities (Japan) Limited ("MCSJL") (Ordinary shares)	Holding company for Japanese stockbroking service	Po Box 309Gt Ugland House, South Church Street George Town, Grand Cayman Cayman Islands	100	**47,247,079**	42,921,209
Macquarie International Holdings Limited ("MIHL") (Ordinary and Redeemable Preference shares)	Holding company for Macquarie Securities Asia and Corporate Finance entities	Ropemaker Place 28 Ropemaker Street London EC2Y 9HD United Kingdom	100	**340,708,869**	340,292,797
Macquarie Korea Opportunities Management Ltd ("MKOM") (Ordinary shares)	Manages the Macquarie Korea Opportunities Fund	Hanwha Building, Sogong-dong 109 Sogong-ro, Jung-gu Seoul 100-755 Republic of Korea	100	**3,393,980**	1,555,254
Macquarie Securities Korea Limited ("MSKL") (Ordinary shares)	Securities and derivative dealing business	3rd Floor, Hanwha Building, Sogong-dong) 109 Sogong-ro, Jung-gu Seoul 100-755 Republic of Korea	100	**48,616,862**	106,316,213
Macquarie Credit Nexus Holdings Limited ("MCNHL") (Ordinary shares)	Holding company	Maples Corporate Services Limited P O Box 309, Ugland House Grand Cayman KY1-1104 Cayman Islands	100	-	336,810,084
				439,966,790	827,895,557

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

Notes to the financial statements (continued)
for the financial year ended 31 March 2016

	2016 £	2015 £

Note 7. Deferred tax asset

The balance comprises timing differences attributable to:		
Temporary differences on profit share retentions and leave entitlements	**473,171**	621,447
Total deferred income tax assets	**473,171**	621,447
Net deferred income tax assets	**473,171**	621,447

Reconciliation of the Company's movement in deferred tax assets:		
Balance at the beginning of the financial year	**621,447**	603,635
Temporary differences:		
Deferred tax (charged)/credited to	**(95,703)**	17,854
Change in tax rate	**(52,573)**	(42)
Balance at the end of the financial year	**473,171**	621,447

Note 8. Debtors

Amounts owed from other Macquarie Group undertakings	**158,733,271**	3,540,274
Other financial market assets	**6,647,135**	17,096,636
Other debtors	**4**	1,444,299
Total debtors	**165,380,410**	22,081,209

Amounts owed by other Macquarie Group undertakings are unsecured and have no fixed date of repayment. The Company derives interest on intercompany loans to group undertakings at market rates and at 31 March 2016 the rate applied ranged between LIBOR plus 1.88% and LIBOR plus 2.65% (2015: between LIBOR plus 1.18% and LIBOR plus 1.31%).

Other financial market assets represents margin receivables in relation to derivative instruments (Note 14).

Note 9. Creditors: Amounts falling due within one year

Amounts owed to other Macquarie Group undertakings	**10,873,720**	326,206,968
Class A redeemable preference shares of £1 each	**70,215,434**	70,215,434
Class B redeemable preference shares of £1 each	**121,804,865**	121,804,865
Class C redeemable preference shares of £1 each	**80,281,384**	80,281,384
Unsecured notes	**8,029,421**	37,395,180
Other financial market liabilities	**6,672,325**	18,518,826
Taxation	**549,241**	-
Total creditors	**298,426,390**	654,422,657

Notes to the financial statements (continued)
for the financial year ended 31 March 2016

Note 9. Creditors: Amounts falling due within one year (continued)

Amounts due to other Macquarie Group undertakings are unsecured and have no fixed date of repayment. The Company incurs interest on amounts owed to other Macquarie Group undertakings at market rates and at 31 March 2016 the rate applied was LIBOR plus 2.65% (2015: LIBOR plus 2.49%).

The Class A redeemable preference shares represent 70,215,434 (2015: 70,215,434) fully paid 0% cumulative redeemable preference shares. The shares are redeemable at £1 per share by the Company on the 10th anniversary of their reclassification date (9 December 2005), or, at any time before that date, at the option of the holder, upon 1 month's written notice to the Company. All Class A redeemable preference shares are on issue to Macquarie (UK) Group Services Limited. On 9 December 2015, the board of directors of the Company extended Class A redeemable preference shares for a further period of twelve months.

The Class B redeemable preference shares represent 121,804,865 (2015: 121,804,865) fully paid 0% cumulative redeemable preference shares. The shares are redeemable at £1 per share by the Company at any time at the option of the holder of the shares, upon 10 days written notice to the Company. All Class B redeemable preference shares are on issue to Macquarie (UK) Group Services Limited.

The Class C redeemable preference shares represent 80,281,384 (2015: 80,281,384) fully paid 0% cumulative redeemable preference shares. The shares are redeemable at £1 per share by the Company on the ninth anniversary of their issue date (various issue dates ranging from 22 February 2006 to 6 November 2006), or, at any time before that date, at the option of the holder, upon 1 month's written notice to the Company. All Class C redeemable preference shares are on issue to Macquarie (UK) Group Services Limited. On 19 February 2015, the board of directors of the Company extended Class C redeemable preference shares for a further period of twelve months. On 22 February 2016, the board of directors of the Company further extended Class C redeemable preference shares for another period of twelve months.

On 31 May 2012, the Company issued five year ZAR denominated senior unsecured notes of the value of ZAR 665,000,000 to Macquarie Securities South Africa (Proprietary) Limited. The notes were listed on the Johannesberg Stock Exchange ("JSE") and the proceeds of the notes were used to repay the Company's existing loan from Macquarie Financial Holdings Pty. Limited.

Other financial market liabilities represents derivative instruments (Note 14).

Note 10. Ordinary Share Capital

	2016	2015	**2016**	2015
	Number of shares	Number of shares	**£**	£
Authorised share capital				
Opening balance of authorised ordinary shares	**700,000,000**	700,000,000	**700,000,000**	700,000,000
Closing balance of authorised ordinary shares	**700,000,000**	700,000,000	**700,000,000**	700,000,000
Ordinary share capital				
Opening balance of fully paid ordinary shares	**201,282,313**	201,282,313	**201,282,313**	201,282,313
Total ordinary share capital	**201,282,313**	201,282,313	**201,282,313**	201,282,313
Opening and closing balance of Class A redeemable preference shares of £1 each	**32,809,844**	32,809,844	**32,809,844**	32,809,844
Total equity component of preference shares	**32,809,844**	32,809,844	**32,809,844**	32,809,844
Closing balance of fully paid ordinary shares	**234,092,157**	234,092,157	**234,092,157**	234,092,157

Notes to the financial statements (continued)
for the financial year ended 31 March 2016

	2016 £	2015 £
Note 11. Profit and loss account		
Balance at the beginning of the financial year	**(37,916,601)**	(36,721,165)
Profit attributable to ordinary equity holders of the Company	**111,218,425**	(1,195,436)
Balance at the end of the financial year	**73,301,824**	(37,916,601)

Note 12. Directors' remuneration

During the financial years ended 2016 and 2015, all Directors were employed by and received all emoluments from other Macquarie Group undertakings. The Directors perform directors' duties for multiple entities in the Macquarie Group, as well as their employment duties within Macquarie Group businesses. Consequently, allocating their employment compensation accurately across all these duties would not be feasible. Accordingly, no separate remuneration has been disclosed.

Note 13. Contingent liabilities and commitments

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

Note 14. Derivative financial instruments

Objectives of holding and issuing derivative financial instruments

The Company uses derivatives to hedge its investments. Certain derivative transactions may qualify as fair value hedges, if they meet the appropriate strict hedge criteria outlined in note 1(vii) – Summary of significant accounting policies:

Fair value hedges: The Company's fair value hedges consist of:

– foreign exchange forward contracts and borrowings used to hedge against changes in the fair value of foreign denominated equity instruments as a result of movements in market foreign exchange rates.

As at 31 March 2016, the fair value of outstanding derivatives held by the Company and designated as fair value hedges was £406,645 negative value (2015: £1,093,564 negative value).

Swaps: Swap transactions provide for two parties to swap a series of cash flows in relation to an underlying principal amount, usually to exchange a fixed interest rate for a floating interest rate. Cross-currency swaps provide a tool for two parties to manage risk arising from movements in exchange rates.

As at 31 March 2016, the fair value of outstanding swaps held by the Company was £6,265,679 negative value (2015: £17,425,263 negative value).

Note 15. Related party information

As 100% of the voting rights of the Company are controlled within the group headed by MGL, incorporated in Australia, the Company has taken advantage of the exemption contained in FRS 101 and has therefore not disclosed transactions or balances with entities which form part of the Macquarie Group. The consolidated financial statements of MGL, within which the Company is included, can be obtained from the address given in Note 16.

The Company does not have any related party transactions or balances other than those with entities which form part of the Macquarie Group as mentioned above.

Note 16. Ultimate parent undertaking

At 31 March 2016, the immediate parent undertaking of the Company is Macquarie (UK) Group Services Limited.

The ultimate parent undertaking and controlling party of the Company is MGL. The largest group to consolidate these financial statements is MGL, a company incorporated in Australia. The smallest group to consolidate these financial statements is 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.

Notes to the financial statements (continued)
for the financial year ended 31 March 2016

Note 17. Transition to FRS101

Reconciliation

For all periods up to and including the year ended 31 March 2015, the Company prepared its financial statements in accordance with UK GAAP. The Company has adopted FRS 101 and these financial statements, for the year ended 31 March 2016, are the first the Company prepared in accordance with FRS 101.

Accordingly, the accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended 31 March 2016, the comparative information presented in these financial statements for the year ended 31 March 2015 and in the preparation of an opening balance sheet as at 1 April 2014, the Company's date of transition.

Reconciliation of Balance sheet as at 1 April 2014

	UK GAAP	Derivatives at Fair Value	Deferred Tax on Derivatives	Foreign Currency Translation	FRS 101
	£	£	£	£	£
Fixed assets					
Investments	784,228,661	-	-	-	784,228,661
Current assets					
Deferred tax asset	-	-	603,636	-	603,636
Debtors	65,910,651	-	-	-	65,910,651
Cash at bank and in hand	8,182,871	-	-	-	8,182,871
Current liabilities					
Creditors: amounts falling due within one year	(658,536,646)	(3,018,181)	-	-	(661,554,827)
Net current assets	(584,443,124)	(3,018,181)	603,636	-	(586,857,669)
Total assets less current liabilities	199,785,537	(3,018,181)	603,636	-	197,370,992
Net assets	199,785,537	(3,018,181)	603,636	-	197,370,992
Capital and reserves					
Ordinary share capital	234,092,157	-	-	-	234,092,157
Other reserves	786,762	-	-	(786,762)	-
Profit and loss account	(35,093,382)	(3,018,181)	603,636	786,762	(36,721,165)
Total shareholders' funds	199,785,537	(3,018,181)	603,636	-	197,370,992

Notes to the financial statements (continued)
for the financial year ended 31 March 2016

Note 17. Transition to FRS101 (continued)

Reconciliation of Balance sheet as at 31 March 2015

	UK GAAP £	Reclass of Fair Value Hedge £	Derivatives at Fair Value £	Deferred Tax on Derivatives £	Foreign Currency Translation £	FRS 101 £
Fixed assets						
Investments	827,895,557		-	-	-	827,895,557
Current assets						
Deferred tax asset	-		-	621,447	-	621,447
Debtors	19,196,431	2,890,159	-	(5,381)	-	22,081,209
Current liabilities						
Creditors: amounts falling due within one year	(648,429,298)	(2,890,159)	(3,103,200)	-	-	(654,422,657)
Net current liabilities	(629,232,867)		(3,103,200)	616,066	-	(631,720,001)
Total assets less current liabilities	198,662,690		(3,103,200)	616,066	-	196,175,556
Net assets	198,662,690		(3,103,200)	616,066	-	196,175,556
Capital and reserves						
Ordinary share capital	234,092,157		-	-	-	234,092,157
Reserves	812,387		-	-	(812,387)	-
Profit and loss account	(36,241,854)		(3,103,200)	616,066	812,387	(37,916,601)
Total shareholders' funds	198,662,690		(3,103,200)	616,066	-	196,175,556

Reconciliation of Profit and loss accounts for the year ended 31 March 2015

	UK GAAP £	Derivatives at Fair Value £	Deferred Tax on Derivatives £	Foreign Currency Translation £	FRS 101 £
Turnover	4,446,410	-	-	-	4,446,410
Administrative expenses	(25,098)	-	-	-	(25,098)
Other operating expense	(499,320)	(85,019)	-	25,625	(558,714)
Operating profit	3,921,992	(85,019)	-	25,625	3,862,598
Interest receivable and similar income	5,767,237	-	-	-	5,767,237
Interest payable and similar charges	(12,114,779)	-	-	-	(12,114,779)
Loss on ordinary activities before taxation	(2,425,550)	(85,019)	-	25,625	(2,484,944)
Tax on loss on ordinary activities	1,277,078	-	12,430	-	1,289,508
Loss for the financial year	(1,148,472)	(85,019)	12,430	25,625	(1,195,436)

Notes to the financial statements (continued)
for the financial year ended 31 March 2016

Note 17. Transition to FRS101 (continued)

Reconciliation of Statement of comprehensive income for the year ended 31 March 2015

	UK GAAP £	Derivatives at Fair Value £	Deferred Tax on Derivatives £	Foreign Currency £	FRS 101 £
Loss for the financial year	(1,148,472)	(85,019)	12,430	25,625	(1,195,436)
Other comprehensive income:					-
Currency translation differences arising during the financial year	25,625	-	-	(25,625)	-
Other comprehensive income	25,625	-	-	(25,625)	-
Total comprehensive expense	(1,122,847)	(85,019)	12,430	-	(1,195,436)
Total comprehensive expense attributable to ordinary equity	(1,122,847)	(85,019)	12,430	-	(1,195,436)

Note 18. Events after the reporting period

There were no other material events subsequent to 31 March 2016 that have not been reflected in the financial statements.