MACQUARIE INTERNATIONALE INVESTMENTS LIMITED

Company Number 04957256

Strategic Report, Directors' Report and Financial Statements
for the financial year ended 31 March 2017

MACQUARIE

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

2017 Strategic Report, Directors' Report and Financial Statements
Contents

Strategic Report
for the financial year ended 31 March 2017

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 during the financial year ended 31 March 2017 was 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 2017 was £3,898,526 as compared to a profit of £111,218,425 in the previous year.

Operating profit for the year ended 31 March 2017 was £385,419 as compared to an operating profit of £102,663,429 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.

Credit risk

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

Strategic Report
for the financial year ended 31 March 2017 (continued)

Financial risk management (continued)

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 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

ABIGAIL NOTTINGHAM
Director
28/09/2017

Directors' Report
for the financial year ended 31 March 2017

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:

K Burgess	(appointed on 17 March 2017)
J Dyckhoff	(resigned on 17 March 2017)
A Nottingham	(appointed on 9 December 2016)
J Somrah	(resigned on 18 November 2016)
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	(resigned on 16 December 2016)

Results

The profit for the financial year ended 31 March 2017 was £3,898,526 (2016: £111,218,425).

Dividends paid or provided for

No final dividends were paid or provided for during the financial year (2016: £nil). No final dividend has been proposed.

State of affairs

On 23 December 2016, the Company made a further investment of KRW 1,980,000,000 in Macquarie Korea Opportunities Management Ltd ("MKOM") by acquiring 36,000 units at KRW 55,000 each.

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 year

The senior unsecured notes issued to Macquarie Securities South Africa (Proprietary) Limited of ZAR 165,000,000 matured on 31 May 2017.

On 20 September 2017, the Company received a dividend of £235,000,000 from its wholly owned subsidiary, MIHL, of which £220,000,000 was considered as a return of investment to the Company. At the same date, the Company's investment in MIHL's preference shares of £74,527,079 was redeemed.

Subsequently, the Company reduced its issued share capital by £165,051,496 and redeemed the entirety of its holdings of Class A, Class B and Class C redeemable preference shares of £272,301,683 to its preference shareholder, Macquarie (UK) Group Services Limited ("MUGS"), on 26 September 2017. The Company also declared a dividend of £15,000,000 to its parent, MUGS, on 26 September 2017.

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 2017 not otherwise disclosed in this report.

Directors' Report
for the financial year ended 31 March 2017 (continued)

Likely developments, business strategies and prospects
The Directors believe that no significant changes are expected other than those already disclosed in this report. The financial risk management objectives and policies of the Company and the exposure of the Company to credit risk, liquidity risk, interest rate risks and foreign exchange risk are contained within the Strategic Report.

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "*Reduced Disclosure Framework*", and applicable law).

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; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Disclosure of information to Auditors
In the case of each Director in office at the date the Directors' Report is approved:
- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors
Pursuant to section 487(2) of the Companies Act 2006, the Auditors of the Company are deemed re-appointed for each financial year unless the Directors or the members of the Company resolve to terminate their appointment. 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

Director ABIGAIL NOTTINGHAM
28/09/ 2017

Independent Auditors' 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 2017 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 2017;
- 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, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

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.

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

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.

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. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Lawrence Wilkinson

Lawrence Wilkinson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
29/09/ 2017

Financial Statements

Profit and loss account
for the financial year ended 31 March 2017

	Notes	2017 £	2016 £
Turnover		-	102,883,360
Administrative expenses		**(30,162)**	(20,572)
Other operating income/(expense)	2	**415,581**	(199,359)
Operating profit		**385,419**	102,663,429
Interest receivable and similar income	3	**6,648,088**	7,770,284
Interest payable and similar charges	4	**(2,151,083)**	(4,220,181)
Gain on liquidation of a controlled entity	2	-	5,711,265
Profit on ordinary activities before taxation	2	**4,882,424**	111,924,797
Tax on profit on ordinary activities	5	**(983,898)**	(706,372)
Profit for the financial year		**3,898,526**	111,218,425

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

Turnover and profit on ordinary activiites 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 2017

	Notes	2017 £	2016 £
Fixed assets			
Investments	6	**459,381,166**	439,966,790
Current assets			
Deferred tax assets	7	**309,897**	473,171
Debtors	8	**156,628,311**	165,380,410
Current liabilities			
Creditors: amounts falling due within one year	9	**(305,026,867)**	(298,426,390)
Net current liabilities		**(148,088,659)**	(132,572,809)
Total assets less current liabilities		**311,292,507**	307,393,981
Net assets		**311,292,507**	307,393,981
Capital and reserves			
Called up share capital	10	**234,092,157**	234,092,157
Profit and loss account	11	**77,200,350**	73,301,824
Total shareholders' funds		**311,292,507**	307,393,981

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

The financial statements on pages 8 to 21 were authorised for issue by the Board of Directors on 28/09/ 2017 and were signed on its behalf by:

ABIGAIL NOTTINGHAM
Director

Statement of changes in equity for the financial year ended 31 March 2017

	Notes	Called up share capital £	Profit and loss account £	Total shareholders' funds £
Balance at 1 April 2015		234,092,157	(37,916,601)	196,175,556
Profit for the financial year	11	-	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**
Profit for the financial year	11	-	**3,898,526**	**3,898,526**
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	**3,898,526**	**3,898,526**
Balance at 31 March 2017		**234,092,157**	**77,200,350**	**311,292,507**

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

Notes to the financial statements for the financial year ended 31 March 2017

Note 1. Summary of significant accounting policies

The Company is a private company limited by shares 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 principal accounting policies adopted in the preparation of these financial statements have been consistently applied to all the years presented, unless otherwise stated.

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment securities available for sale and certain financial assets and financial liabilities (including derivative instruments) measured at fair value through profit and loss, and in accordance with the Companies Act 2006.

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

In accordance with FRS 101, the Company has availed of an exemption from the following paragraphs of International Financial Reporting Standards ("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 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'.

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.

Notes to the financial statements for the financial year ended 31 March 2017 (continued)

Note 1. Summary of significant accounting policies (continued)

ii) Going concern

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

iii) 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 2017 of £148,088,659 (2016: £132,572,809).Subsequently, the Company has received a dividend of £235,000,000 from Macquarie International Holdings Limited ("MIHL") on 20 September 2017. It has also converted short-term debt of £13,133,051 to long-term debt. On the same date, the Company's investment in MIHL's preference shares of £74,527,079 was redeemed. This has resulted in the Company having an excess of net current assets over its current liabilities.

iv) 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 'Pounds Sterling' (£) , which is also the Company's functional currency.

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.

v) Revenue and expense recognition

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

Net interest income/expense

Interest income and 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 operating income/(expense)

Other operating income/(expense) comprises of other gains and losses relating to foreign exchange differences and all realised and unrealised fair value changes on derivatives which are recognised in the profit and loss account.

Expenses

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

vi) Turnover

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

Notes to the financial statements for the financial year ended 31 March 2017 (continued)

Note 1. Summary of significant accounting policies (continued)

vii) Taxation

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

Deferred tax assets are recognised when temporary differences arise between the tax bases of assets and liabilities and their respective carrying amounts which give rise to a future tax benefit, or when a benefit arises due to unused tax losses. In both cases, deferred tax assets are recognised only to the extent that it is probable that future taxable amounts will be available to utilise those temporary differences or tax losses. Deferred tax liabilities are recognised when such temporary differences will give rise to taxable amounts that are payable in future periods. Deferred tax assets and liabilities are recognised at the tax rates expected to apply when the assets are recovered or the liabilities are settled under enacted or substantively enacted tax law.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset when there is a legally enforceable right to offset and an intention to either settle on a net basis, or realise the asset and settle the liability simultaneously. Current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

The Company undertakes transactions in the ordinary course of business where the income tax treatment and recognition of deferred tax assets requires the exercise of judgement. The Company estimates its tax liability based on its understanding of the tax law.

viii) Derivative instruments

Derivative instruments entered into by the Company include futures and swaps in foreign exchange markets. These derivative instruments are principally used for the risk management of existing financial assets and financial liabilities.

All derivatives, including those used for balance sheet hedging purposes, are recognised on the balance sheet and are disclosed as an asset where they have a positive fair value at balance sheet 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, unless the derivative meets the requirements for hedge accounting.

The best evidence of a derivative'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 Company recognises profits or losses immediately when the derivative is recognised ('day 1 profit or loss'). When significant unobservable inputs are used to determine fair value, the day 1 profit or loss is deferred and is recognised in the profit and loss account over the life of the transaction or when the inputs become observable.

ix) 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 hedge 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 fair value hedge relationship:

Notes to the financial statements
for the financial year ended 31 March 2017 (continued)

Note 1. Summary of significant accounting policies (continued)

ix) Hedge accounting (continued)

Fair value hedges

For a derivative or financial instrument designated as hedging the change in fair value of a recognised 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 asset or liability that is attributable to the hedged risk.

x) 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, which is determined at initial recognition and, except for other financial assets at fair value through profit or loss, 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.

Investments in subsidiaries

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.

Subsidiaries held by the Company are carried in its financial statements at cost less impairment in accordance with IAS 27 Separate Financial Statements.

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.

Notes to the financial statements
for the financial year ended 31 March 2017 (continued)

Note 1. Summary of significant accounting policies (continued)

xi) Impairment

Loans and receivables

Loan assets are subject to regular review and assessment for possible impairment. Provisions for impairment on loan assets are recognised based on an incurred loss model 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.

Individually assessed provisions for impairment are recognised where impairment of individual loans are identified. Where individual loans are found not to be impaired, they are placed into pools of assets with similar risk profiles and collectively assessed for losses that have been incurred but are not yet specifically identifiable.

The Company makes judgements as to whether there is any observable data indicating that there is a significant decrease in the estimated future cash flows before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of the borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Changes in assumptions used for estimating future cash flows could result in a change in the estimated provisions for impairment on loan assets at the end of a reporting period.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through the profit and loss to the extent of what the amortised cost would have been had the impairment not been recognised.
An unrecoverable loan is written off, either partially or in full, against the related provision for loan impairment. This occurs when the Company concludes that there is no reasonable expectation of recovering cash flows due under the asset and all possible collateral has been realised. Recoveries of loans previously written off are recorded based on the cash received.

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.

xii) 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.

xiii) Offsetting financial instruments

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

xiv) Called up 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.

Notes to the financial statements for the financial year ended 31 March 2017 (continued)

	2017 £	2016 £
Note 2. Profit on ordinary activities before taxation		
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Foreign exchange (gains)/losses	**(415,581)**	199,359
Auditors' remuneration		
Fees payable to the Company's auditors for the audit of the Company	**28,807**	12,348
Gain on liquidation of a controlled entity	**-**	(5,711,265)

The Company had no employees during the year (2016: nil).

	2017 £	2016 £
Note 3. Interest receivable and similar income		
Interest receivable from other Macquarie Group undertakings	**6,616,071**	7,755,618
Interest receivable from unrelated parties	**32,017**	14,666
Total interest receivable and similar income	**6,648,088**	7,770,284
Note 4. Interest payable and similar charges		
Interest payable to other Macquarie Group undertakings	**2,151,083**	4,190,713
Interest payable to unrelated parties	**-**	29,469
Total interest payable and similar charges	**2,151,083**	4,220,182
Note 5. Taxation		
Analysis of tax charge for the year:		
Current tax		
UK corporation tax at 20% (2016: 20%)	**(872,728)**	(553,508)
Adjustment in respect of previous years	**67,064**	(4,377)
Foreign tax suffered	**(14,960)**	(9,905)
Double tax relief	**-**	9,694
Total current tax	**(820,624)**	(558,096)
Deferred tax		
Origination and reversal of temporary differences	**(102,664)**	(95,703)
Adjustment in respect of previous years	**(58,496)**	-
Effect of changes in tax rates	**(2,113)**	(52,573)
Total deferred tax	**(163,274)**	(148,276)
Tax on profit on ordinary activities	**(983,898)**	(706,372)

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

The income tax expense for the year is higher (2016: lower) than the standard rate of corporation tax in the UK of 20% (2016: 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before taxation	**4,882,424**	111,924,797
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 20% (2016: 20%)	**(976,484)**	(22,384,961)
Effects of:		
Adjustment in respect of previous years	**8,567**	(4,377)
Foreign tax suffered	**(14,960)**	(9,905)
Double tax relief	**-**	9,694
Non assessable income	**1,092**	21,735,750
Effect of changes in tax rates	**(2,113)**	(52,573)
Total income tax	**(983,898)**	(706,372)

The UK Government have enacted a reduction in the main rate of corporation tax from 20% to 19% from 1 April 2017 and a further reduction to 17% from 1 April 2020.

Notes to the financial statements for the financial year ended 31 March 2017 (continued)

	2017 £	2016 £
Note 6. Investments		
Investments in subsidiaries		
Investments at cost without provisions for impairment	**459,381,166**	439,966,790
Total Investments	**459,381,166**	439,966,790
Reconciliation of movement in investments		
Balance at the beginning of the financial year	**439,966,790**	827,895,557
Additions[1]	**1,343,418**	1,649,443
Foreign exchange movements	**18,070,958**	(9,718,927)
Disposals	**-**	(379,859,283)
Balance at the end of the financial year	**459,381,166**	439,966,790

Name of investment	Nature of business	Registered office	% Ownership	2017 £	2016 £
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	**54,783,112**	47,247,079
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	**342,012,616**	340,708,869
Macquarie Korea Opportunities Management Ltd ("MKOM") (Ordinary shares)[1]	Manages the Macquarie Korea Opportunities Fund	Hanwha Building, Sogong-dong 109 Sogong-ro, Jung-gu Seoul 100-755 Republic of Korea	100	**5,406,818**	3,393,980
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	**57,178,620**	48,616,862
				459,381,166	439,966,790

[1]On 23 December 2016, the Company made a further investment of KRW 1,980,000,000 in MKOM by acquiring 36,000 units at KRW 55,000 each.

Notes to the financial statements for the financial year ended 31 March 2017 (continued)

	2017 £	2016 £
Note 7. Deferred tax assets		
The balance comprises timing differences attributable to:		
Temporary differences on profit share retentions and leave entitlements	-	473,171
Temporary differences on Financial instruments and revaluations	309,898	-
Total deferred tax assets	309,898	473,171
Net deferred tax assets	309,898	473,171
Reconciliation of the Company's movement in deferred tax assets:		
Balance at the beginning of the financial year	473,171	621,447
Temporary differences:		
Deferred tax charged	(102,664)	(95,703)
Effect of changes in tax rates	(2,113)	(52,573)
Adjustment in respect of previous years	(58,496)	-
Balance at the end of the financial year	309,898	473,171

Note 8. Debtors

	2017 £	2016 £
Amounts owed from other Macquarie Group undertakings[1]	149,926,281	158,733,271
Other financial market assets[2]	6,700,424	6,647,135
Other debtors	1,606	4
Total debtors	156,628,311	165,380,410

[1]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 2017 the rate applied ranged between LIBOR plus 1.90% and LIBOR plus 2.46% (2016: between LIBOR plus 1.88% and LIBOR plus 2.65%).

[2]Other financial market assets represents derivatives instrument and margin receivables in relation to derivative instruments (Note 14).

Note 9. Creditors: amounts falling due within one year

	2017 £	2016 £
Amounts owed to other Macquarie Group undertakings[1]	14,817,966	10,873,720
Class A redeemable preference shares of £1 each[2]	70,215,434	70,215,434
Class B redeemable preference shares of £1 each[3]	121,804,865	121,804,865
Class C redeemable preference shares of £1 each[4]	80,281,384	80,281,384
Unsecured notes[5]	10,123,770	8,029,421
Other financial market liabilities[6]	6,428,604	6,672,325
Taxation	1,354,844	549,241
Total creditors	305,026,867	298,426,390

[1]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 2017 the rate applied was LIBOR plus 1.90% (2016: LIBOR plus 2.65%).

[2]The Class A redeemable preference shares represent 70,215,434 (2016: 70,215,434) fully paid 0% cumulative redeemable preference shares. On 9 December 2016, the Board of Directors of the Company extended the redemption of the Class A redeemable preference shares. The shares are redeemable at £1 per share by the Company on the 13th 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 has been redeemed on 20 September 2017.

[3]The Class B redeemable preference shares represent 121,804,865 (2016: 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 has been redeemed on 20 September 2017.

Notes to the financial statements for the financial year ended 31 March 2017 (continued)

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

[4]The Class C redeemable preference shares represent 80,281,384 (2016: 80,281,384) fully paid 0% cumulative redeemable preference shares. On 9 December 2016, the Board of Directors of the Company extended the redemption of the Class C redeemable preference shares. The shares are redeemable at £1 per share by the Company on the 13th 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 has been redeemed on 20 September 2017.

[5]On 31 May 2012, the Company issued 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. The notes amounting to ZAR 500,000,000 matured on 31 May 2015 and the remaining balance of ZAR 165,000,000 matured on 31 May 2017.

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

Note 10. Called up share capital

	2017 Number of shares	2016 Number of shares	2017 £	2016 £
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

Note 11. Profit and loss account

	2017 £	2016 £
Profit and loss account		
Balance at the beginning of the financial year	**73,301,824**	(37,916,601)
Profit for the financial year	**3,898,526**	111,218,425
Balance at the end of the financial year	**77,200,350**	73,301,824

Note 12. Directors' remuneration

During the financial years ended 2017 and 2016, 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.

Notes to the financial statements for the financial year ended 31 March 2017 (continued)

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(ix) – 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 2017, the fair value of outstanding derivatives held by the Company and designated as fair value hedges was £260,828 positive value (2016: £406,645 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 2017, the fair value of outstanding swaps held by the Company was £5,847,354 negative value (2016: £6,265,679 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.

Details of holdings by subsidiary undertakings are as below:

Name of related party	Registered office	% ownership	Class of shares
Subsidiaries of Macquarie International Holdings Limited:			
Macquarie Capital Securities (Mauritius) Limited ("MCSML") (Ordinary shares)	Les Cascades Building Edith Cavell Street Port-Louis Mauritius	100%	Ordinary shares
Macquarie Securities (Thailand) Limited ("MSTL") (Ordinary shares)	28th Floor, CRC Tower, All Seasons Place 87/2 Wireless Road, Lumpini Patumwan, Bangkok 10330 Thailand.	99.99%	Ordinary shares
Macquarie Capital Limited ("MCL") (Ordinary shares)	Level 18, One International Finance Centre 1 Harbour View Street Central, Hong Kong	100%	Ordinary shares
Macquarie Futures & Options (Hong Kong) Limited ("MFOHL") (Ordinary shares)	Level 18, One International Finance Centre 1 Harbour View Street Central, Hong Kong.	100%	Ordinary shares
Macquarie Capital Securities (Philippines) Inc ("MCSPI") (Ordinary shares)	Level 22, 6750 Office Tower Ayala Avenue Makati City 1226, Philippines	99.99%	Ordinary shares
PT Macquarie Sekuritas Indonesia ("PTMCSI") (Ordinary shares)	Indonesia Stock Exchange Tower 1 8th Floor, Jl. Jend. Sudirman Kav. 52-53 Jakarta 12190, Indonesia.	85%	Ordinary shares

Notes to the financial statements
for the financial year ended 31 March 2017 (continued)

Note 15. Related party information (continued)

Name of related party	Registered office	% ownership	Class of shares
Subsidiary of Macquarie Capital Securities (Mauritius) Limited:			
Macquarie Capital Securities (India) Private Limited	92 Level 9, 2 North Avenue, Maker Maxity, Bandra Kurla Complex, Bandra East, Mumbai, Maharashtra, 400051, India	100	Ordinary shares and Redeemable Preference shares

Note 16. Ultimate parent undertaking

At 31 March 2017, 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 Macquarie Financial Holdings PTY Limited ("MFHL"), a company incorporated in Australia. Copies of the consolidated financial statements for MGL and MFHL can be obtained from the Company Secretary, Level 6, 50 Martin Place, Sydney, New South Wales, 2000, Australia.

Note 17. Events after the reporting year

The senior unsecured notes issued to Macquarie Securities South Africa (Proprietary) Limited of ZAR 165,000,000 matured on 31 May 2017.

On 20 September 2017, the Company received a dividend of £235,000,000 from its wholly owned subsidiary, MIHL, of which £220,000,000 was considered as a return of investment to the Company. At the same date, the Company's investment in MIHL's preference shares of £74,527,079 was redeemed.

Subsequently, the Company reduced its issued share capital by £165,051,496 and redeemed the entirety of its holdings of Class A, Class B and Class C redeemable preference shares of £272,301,683 to its preference shareholder, MUGS, on 26 September 2017. The Company also declared a dividend of £15,000,000 to its parent, MUGS, on 26 September 2017.

There were no other material events subsequent to 31 March 2017 that have not been reflected in the financial statements.