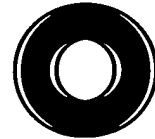


**Macquarie Capital (Europe) Limited**

COMPANY NUMBER 03704031

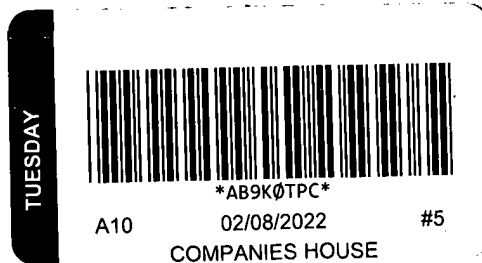
Strategic Report, Directors' Report and Financial Statements  
for the financial year ended 31 March 2022



MACQUARIE

The Company's registered office is:

Ropemaker Place  
28 Ropemaker Street  
London EC2Y 9HD  
United Kingdom



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# Macquarie Capital (Europe) Limited

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## 2022 Strategic Report, Directors' Report and Financial Statements

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# Macquarie Capital (Europe) Limited

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## Strategic Report for the financial year ended 31 March 2022

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

### Principal activities

The principal activities of the Company during the financial year ended 31 March 2022 ("current financial year") were:

#### *Corporate Advisory*

At the end of the Brexit transition period of 1 January 2021, the Company no longer has its European Union ("EU") Markets in the Financial Instrument Directive ("MiFID") passport. The Company therefore undertakes corporate advisory and debt capital market services to clients based in the UK (and other countries as permitted by relevant regulations).

#### *Cash Equities*

The Company operates an agency stockbroking business servicing institutional clients in the UK and certain jurisdictions within Europe where cross border licenses, exemptions or temporary permissions regimes are currently available. The company specialises in single stock execution for clients into the Asia-Pacific ("APAC") markets via Macquarie's affiliated entities, in addition to global program trading, Exchange Traded Funds ("ETF") execution, and transition management on behalf of its clients. Settlement operations have been outsourced to a third party.

The Company continues to expand its existing cooperation agreement with Kepler Cheuvreux in order to focus its strength on the Asia Pacific region and increase its footprint for Macquarie Capital ("MacCap") Equities. This strategic partnership allows the Company to utilise Kepler Cheuvreux's market leading European research in the Asia Pacific region, and also the ability to leverage their significant distribution capabilities within Europe to sell its market leading Asia Pacific and Global Program Trading product information. The Company does this within the UK and certain jurisdictions within Europe.

The Company has an unregulated branch in Ireland that will continue to operate as an employment entity and the Company maintains a Representative Office in Geneva but is not authorised to conduct business in Switzerland by the Swiss Financial Market Supervisory Authority ("FINMA"). In the previous financial year, the Company transferred the operations of the branches in Germany, Netherlands and France to Macquarie Capital France Société Anonyme ("MCF"). In the current financial year on 1 April 2021, the Company transferred the operations of the representative office in Spain to MCF. On 31 December 2020, the transition period relating to the withdrawal of the United Kingdom ("UK") from the European Union ("EU") (known as "Brexit") came to an end. From the implementation of Brexit, MCEL is no longer able to passport into Europe via its European branches and therefore, from 1 January 2021, ceased to undertake regulated activity in the EU. These branches are in the process of being wound down; activities in the current financial year are primarily related to internal recoveries. Please refer to Note 30 *Discontinued operations* for further details.

### Review of operations

The loss for the financial year ended 31 March 2022 was £2,106,000, a decrease of 72 percent from the loss of £7,481,000 in the previous financial year.

The net operating loss for the financial year ended 31 March 2022 was £483,000, a decrease of 90 percent from the net operating loss of £4,754,000 in the previous financial year. The year on year change was due to a decrease in administrative expenses partially offset by a decrease in advisory income, brokerage commission income, and other operating income.

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# Macquarie Capital (Europe) Limited

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## Strategic Report (continued) for the financial year ended 31 March 2022

### Review of operations (continued)

Total administrative expenses for the financial year ended 31 March 2022 were £106,454,000, a decrease of 23 percent from the expenses of £137,740,000 in the previous financial year. The year on year change was due to a decrease in staff costs and brokerage expenses.

Total other operating income for the financial year ended 31 March 2022 were £637,000, as compared to other operating income of £14,841,000 in the previous financial year. The year on year changes were due to the profit from the sale of the operations of the branches in Germany, Netherlands and France to MCF that were accounted for in the previous financial year.

As at 31 March 2022, the Company had net assets, including the pension liability, of £176,710,000 (2021: £177,878,000). The year on year change was mainly driven by transactions owed to and by other Macquarie Group undertakings.

As at 31 March 2022, the Company had cash at bank and in hand of £11,317,000 (2021: £2,140,000) and financial investments of £4,999,000 (2021: £nil). These year on year increases to cash at bank and financial investments were implemented to comply with the Financial Conduct Authority (FCA) regulatory liquidity requirements as at 1 January 2022.

The German branch contributed a loss of £269,000 (2021: profit of £10,245,000), the Irish branch contributed a loss of £893,000 (2021: loss of £472,000), the Netherlands branch contributed a loss of £7,000 (2021: loss of £2,814,000), and the French branch contributed a loss of £68,000 (2021: loss of £4,523,000) to the overall loss before taxation of £2,908,000 (2021: £5,444,000).

During the current and prior financial years, the Company has continued to meet £7,973,000 (2021: £16,725,000) minimum externally imposed capital requirements under the MiFID Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU") license, and no breaches have occurred.

There has been no change to the approach of managing capital during the financial year ended 31 March 2022 by the Company in comparison to the prior financial year. At all times during the financial year ended 31 March 2022 the Company was in compliance with both internally and externally imposed capital requirements to which it is subject. As such, there was no consequence of non-compliance imposed upon the Company.

### Principal risks and uncertainties

The Company is responsible for its own risk acceptance decisions. From the perspective of the Company, the principal risks are credit risk, liquidity risk, interest rate risk, foreign exchange risk, operational risk, financial crime risk, technology & cyber risk, group risk, conduct risk, regulatory & compliance risk, and strategic/business risk. The material risks of the Company are monitored by the relevant division of the Risk Management Group ("RMG") of the Macquarie Group, (Macquarie Group comprising Macquarie Group Limited ("MGL"), the ultimate parent of the Company and its subsidiaries). There are currently no plans to substantially change the nature of the business going forward.

The range of factors that may influence the Company's short-term outlook include:

- market conditions including: events that cause significant volatility in the market, global inflation and interest rates, and the impact of geopolitical events;
- the continued and evolving impact of COVID-19;
- the uncertainty introduced by the Russian-Ukraine conflict;
- potential tax or regulatory changes and tax uncertainties;
- completion of period-end reviews and the completion rate of transactions; and
- the geographic composition of income and the impact of foreign exchange.

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# Macquarie Capital (Europe) Limited

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## Strategic Report (continued) for the financial year ended 31 March 2022

### Principal risks and uncertainties (continued)

The continued impact and uncertainty surrounding the Novel Coronavirus ("COVID-19") pandemic and the Russia-Ukraine conflict have been monitored throughout the financial year for the Company by RMG. At the date of approving the accounts, there was no significant financial impact, and the Company has continued to operate effectively throughout the pandemic and the Russia-Ukraine conflict.

The Company is not subject to any other principal risks or uncertainties, over and above those stated.

### Risk management

Risk is an integral part of the Macquarie Group's business. The principal risks faced by the Company are identified annually by an internal review process and are credit risk, liquidity risk, interest rate risk, foreign exchange risk, operational risk, financial crime risk, technology & cyber risk, group risk, conduct risk, regulatory & compliance risk, and strategic/business risk. Responsibility for management of these risks lies with the individual businesses giving rise to them. It is the responsibility of RMG to ensure appropriate assessment and management of these risks.

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

### Financial risk management

#### Credit risk

Credit risk is the risk that a counterparty will fail to complete its contractual obligations when they fall due. Credit exposures, approvals and limits are controlled 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 financial obligations when they fall due. 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 and external parties, all of which earn a variable rate of interest, except for certain positions with fixed rate of interest with external parties. Interest bearing liabilities include payables to other Macquarie Group undertakings and external parties, which also incur a variable rate of interest.

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# Macquarie Capital (Europe) Limited

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## Strategic Report (continued) for the financial year ended 31 March 2022

### Risk management (continued)

#### Financial risk management (continued)

##### Foreign exchange risk

The Company has foreign exchange exposures which include exposures arising from its foreign branches, 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 Macquarie Group wide process of minimising exposure at an individual Company level.

#### Non-Financial risk management

##### Operational risk

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

##### Financial crime risk

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

##### Technology & cyber risk

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

##### Group risk

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

##### Conduct risk

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

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# Macquarie Capital (Europe) Limited

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## Strategic Report (continued) for the financial year ended 31 March 2022

### Risk management (continued)

#### Non-Financial risk management (continued)

##### Regulatory & compliance risk

The risk of failure to comply with laws, regulations, rules statements of regulatory policy, and codes of conduct applicable to the Company's financial services and other regulated activities. Frameworks have been established to manage the identification, escalation, management and reporting of regulatory and compliance risks across Macquarie. These frameworks include policies, guidelines and standards which have been implemented to guide compliance.

##### Strategic / business risk

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

### Section 172 (1) Statement

The Directors of the Company consider, both individually and collectively, that they have acted in the way that would most likely promote the success of the Company for the benefit of its members as a whole (having regard to relevant stakeholders and matters set out in section 172(1)(a-f) of the Companies Act 2006) in the decisions taken during the financial year ended 31 March 2022. To the extent necessary for an understanding of the development, performance and position of the Company, an explanation of how the Directors considered these matters is set out in the Directors' report on pages 8 to 14.

Consideration of these factors and other relevant matters, including in particular the Company's regulatory environment as a UK investment firm categorised as "Enhanced" under the Financial Conduct Authority's ("FCA") Senior Managers and Certification Regime, is embedded into all Board decision making, strategy development and risk assessment throughout the financial year. Our Section 172 statement focuses on matters of strategic importance to the Company, and the level of information disclosed is consistent with the size and the complexity of the business.

### Other matters

Due to the nature of the business and the information provided elsewhere in this report, the Directors have decided not to include additional financial and non-financial key performance indicators (including with regard to environmental and employee matters) in the Strategic report because they would not materially improve an understanding of the development, performance or position of the business.

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# Macquarie Capital (Europe) Limited

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## Strategic Report (continued) for the financial year ended 31 March 2022

### Other matters (continued)

The Strategic Risk Materiality Assessment approved by the Board Committee concluded that the Company's exposure to environmental and social risks, including climate-related risks, is most likely to arise as reputational risks through advisory or brokerage relationships with a specific client or the sector in which it operates. Macquarie's group-wide Environmental and Social ("ESR") Policy provides a robust framework for embedding environmental and social risk management into investment decision making. The policy establishes processes for identifying, assessing, managing, mitigating and reporting material environmental and social risks across the business, and details requirements for client on-boarding and a broad range of transactions including corporate advisory. The Board Risk Committee held extensive discussion on ESR materiality and requested quarterly reports to the end of FY23 to determine if the conclusion remains that ESR is not a material risk.

On behalf of the Board,



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Phillip Nash  
Director  
22 July 2022

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# Macquarie Capital (Europe) Limited

## COMPANY NUMBER 03704031

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### Directors' Report for the financial year ended 31 March 2022

In accordance with a resolution of the Directors of the Company, 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 financial year and until the date of this report, unless disclosed otherwise, were:

G. Alford (Independent Non-Executive Director)  
A. Henderson (Independent Non-Executive Director)  
C. Higgins (Independent Non-Executive Director)  
P. Nash  
P. Plewman

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

H. Everitt

#### Results

The loss for the financial year ended 31 March 2022 was £2,106,000 (2021: loss of £7,481,000).

#### Dividends

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

#### State of affairs

The Company has an unregulated branch in Ireland and the Company maintains a Representative Office in Geneva but is not authorised to conduct business in Switzerland by FINMA.

On 31 December 2020, the transition period relating to the withdrawal of the United Kingdom ("UK") from the European Union ("EU") (known as "Brexit") came to an end. As a result, in the previous financial year, the Company transferred the operations of the branches in Germany, Netherlands and France to MCF. In the current financial year on 1 April 2021, the Company transferred the operations of the representative office in Spain to MCF. From the implementation of Brexit, MCEL is no longer able to passport into Europe via its European branches and therefore, from 1 January 2021, ceased to undertake regulated activity in the EU. All branches are in the process of being wound down excluding the branch in Ireland, which will remain as an employment entity for non-regulated technical staff in MacCap and the representative office in Switzerland which will remain to continue to support MacCap Equities Swiss business activities.

Following Brexit, the Company has, in limited circumstances, continued to provide cash equities services to EU clients through reliance on cross-border licences, exemptions or temporary permissions regimes where available, although its ongoing ability to do so remains uncertain.

The gain recognised from the transfer of the representative office in Spain effective 1 April 2021, of £696,000 has been included in Other operating income in the Profit and loss account.

There were no other significant changes in the state of the affairs of the Company that occurred during the current financial year under review not otherwise disclosed in the Directors' Report.

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

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

IBOR interest rate benchmarks, that are used in a wide variety of financial instruments such as derivatives and lending arrangements, are undergoing reforms. Examples of IBOR include the London Inter-bank Offered Rate ("LIBOR") and the Euro Inter-bank Offered Rate ("EURIBOR").

After 31 December 2021, 24 of 35 LIBOR currency-tenor pairings were discontinued, 6 LIBOR switched to a modified calculation methodology (known as 'synthetic' LIBORs) and 5 USD LIBOR tenors are expected to cease publication after 30 June 2023. Aside from the ongoing exceptional use of USD LIBOR, the use of LIBOR in new contracts ceased by the end of 2021.

During 2018, MGL initiated a group-wide project, sponsored by its Chief Financial Officer ("CFO"), to manage the impacts of IBOR reform, including overseeing the transition from LIBOR to ARR. A group-wide steering committee was established with its key responsibility being the governance of the project and comprised of senior executives from MGL's Operating Groups, Financial Management Group ("FMG"), RMG, Corporate Operations Group ("COG") and Legal and Governance. The project was wide in scope including identification of the impact of the reform on the separate legal entities within the MGL Group (including the Company) and implementing necessary changes in those legal entities.

In addition to the project's progress outlined in the Company's annual financial statements for prior periods, the project achieved several important milestones for the period ended 31 March 2022 including that the Company transitioned its internal USD LIBOR and EURIBOR funding to Secured overnight financing ("SOFR") and Euro Short-Term Rate ("ESTR") respectively, and re-hedged external funding exposures to relevant currency ARR, given sufficient liquidity in the relevant markets.

Whilst IBOR reforms, including the transition from LIBOR to ARR, are important changes for the Company, they have not resulted in changes to Macquarie Group's risk management strategy and these risks are managed within the existing risk management framework.

**Going concern**

The Company has current assets in excess of current liabilities as at 31 March 2022 of £196,269,000 (2021: £231,844,000). The Company continues to review its operating businesses and is sufficiently capitalised to cover operating losses in the foreseeable future. In the current financial year, the loss for the financial year decreased by 72 percent from the prior financial year.

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

**Events after the reporting period**

At the date of this report, the Directors are not aware of any matter or circumstance which has arisen that has significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in the financial years subsequent to 31 March 2022 as not otherwise disclosed in this report.

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

**Likely developments, business strategies and prospects**

**Coronavirus ("COVID-19")**

The Novel Coronavirus ("COVID-19") has had significant impacts on global economies and financial markets, led to several changes in the economy and resulted in several support actions by financial markets, governments, and regulators. The impact of COVID-19 continues to evolve and, where applicable, has been incorporated into the determination of the Company's results of operations and measurements of its assets and liabilities at the reporting date.

COVID-19 did not have a material impact on the operations of the Company during the financial period.

**Russia-Ukraine conflict**

The risk presented by the Russia-Ukraine conflict is managed by the Company within the framework of the overall strategy and risk management structure of the Macquarie Group.

The Russia-Ukraine conflict did not have a material impact on the operations of the Company during the financial period. The Company will continue to monitor the risk presented by the conflict in accordance with its overall strategy and risk management structure.

**Indemnification and insurance of Directors**

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

**Statement of Directors' responsibilities in respect of the financial statements**

The Directors are responsible for preparing the Strategic Report, Directors' Report and Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

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

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

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

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

**Section 172**

During the financial year, the Directors considered the Company's stakeholders to be its direct and indirect shareholders, employees, regulators, and internal and external customers. The following sets out how, in discharging their duties, the Directors have had regard to each of the matters outlined in section 172 of the Companies Act 2006 including regard for the interests of the Company's stakeholders.

**a) Likely consequences of any decision in the long term:**

The Company is a wholly-owned subsidiary of MGL and the Macquarie Group and therefore complies with the policies and practices, ethical and business standards that are set by the MGL Board and are described in the MGL Annual Report for FY2022 which does not form part of this report, which is available on the MGL website.

Any decision taken is aligned to the strategy of the Company and the wider Macquarie Group and made in accordance with Macquarie's Code of Conduct (the "Code")- based on the three principles of – Opportunity, Accountability and Integrity. Macquarie's purpose of 'empowering people to innovate and invest for a better future' is deeply embedded in Macquarie's culture and is underpinned by these longstanding operating principles. Before a proposal is brought to the Board for approval, it will have gone through a series of internal approvals, in accordance with Macquarie Group's risk management framework. Macquarie adopts a conservative approach to risk management which is underpinned by a sound risk culture. Macquarie's robust risk management framework and risk culture are embedded across all Macquarie Group's operations.

To facilitate good decision making, Directors meet quarterly (and additionally as required) with documentation circulated in advance, which includes diligence on financial impacts (where applicable), as well as non-financial factors, to allow them to fully understand the performance and position of the Company, along with the matters that are to be discussed.

The Board sets the 'tone at the top' and there is a culture of open and frank discussion at the Board. Actions taken by the Board seek to promote long term sustainability and prudent management of risk consistent with What We Stand For.

During FY2022, there were 16 formal Board and Board Committee meetings. Independent Non-executive board members also met regularly and without management present and as per the Audit Committee Charter held private meetings with the external auditor and Head of Internal Audit to assist with their oversight role.

Throughout FY2022, the Board continued to enable virtual attendance at Board and Committee meetings, workshops and meetings with management, as needed to respond to ongoing COVID-19 restrictions.

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

**Section 172 (continued)**

**a) Likely consequences of any decision in the long term: (continued)**

Key examples of where the Board has considered the likely consequences of any decision in the long-term for the financial year ended 31 March 2022 included but are not limited to:

- Internal Capital Adequacy Assessment Process ("ICAAP") and Internal Liquidity Adequacy Assessment Process ("ILAAP"): the review of the conclusions with the Directors confirming their satisfaction with the overall adequacy of capital and resources and liquidity framework;
- Recovery Plan;
- MCEL Strategy;
- Quarterly review of business reports (including business risk profiles). The Directors dedicated time throughout the year to consider people risks and understand the action plan by management;
- Quarterly finance, risk, financial crime and compliance reports;
- Risk management, credit and liquidity enhancements;
- FY21 Annual Accounts; and
- Staff survey results and action plan and diversity annual report.

**b) Interests of the Company's workforce:**

The employees of the Company and/or its branches have employment contracts with the Company, its branches, or entities within the wider Macquarie Group.

In addition, the Company has senior managers with various responsibilities to perform functions as designated by the Financial Conduct Authority ("FCA"). The Company also has Material Risk Takers as identified under the Financial Conduct Authority's and Prudential Regulation Authority's Remuneration Codes (the "CRDV Remuneration Code").

The Company involves and informs the workforce on matters that could affect them. Where a Board decision is likely to impact the workforce, these considerations are reflected in the supporting documentation and relevant subject matter experts present to the Board in relation thereto, for example, our Human Resources team. The Company's policies align with Macquarie Group's workforce policies, including Macquarie's Workforce Diversity Policy. The Macquarie Group and the Company are committed to building a workforce that reflects all aspects of diversity and intersectionality to bring a range of perspectives, ideas and insights to everything we do. Macquarie Group's focus continues to be on developing the internal and external pipeline of people from under represented groups at all levels and enhancing our recruitment and talent practices to facilitate this.

**c) Business relationships with suppliers, customers and others:**

The Board is cognisant of the stakeholders of the Company and the importance of strong relationships, coupled with appropriate levels of communication and engagement. The Board oversees how the Company deals with its various business relationships, including by way of regular Board reporting with respect to business performance and risk management.

**Suppliers:** Macquarie Group is committed to ensuring high standards of environmental, social and governance performance across its supply chain. This commitment is driven by our business principles. Macquarie Group has put in place a Supplier Governance Policy to manage the risks associated with suppliers who provide the Macquarie Group with high inherent risk goods or services, and also 'Principles for Suppliers' to help uphold our core values with the aim of having supplier relationships that create long-term and sustainable value for our clients, shareholders and community.

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

**Section 172 (continued)**

**c) Business relationships with suppliers, customers and others: (continued)**

**Customers:** The Company has both internal (Macquarie) and external customers. Macquarie looks to the Company's workforce (including the Directors) to keep customers informed about the depth, breadth and scale of our capabilities. Macquarie Group's publicly available EMEA Terms of Business embed our commitment to the principle of treating customers fairly into all of the Company's business.

**Regulators:** The Company works closely with regulators to ensure a constructive regulatory dialogue and provide transparency and updates on business performance and risk management in order to help reduce overall risk in the industry and provide a more sustainable banking landscape over the long term. The Company has open and regular engagement with regulators, ensuring clarity and transparency, and sharing views and expectations of the Company. The primary regulatory engagement for the Company is with the FCA supervisory teams and senior management.

**d) Community and the environment:**

The Board and Management recognise the importance of sound Environmental, Social and Governance ("ESG") practices as part of their responsibility to their clients, shareholders, communities, staff and the environment in which the Company operates. As a subsidiary of the Macquarie Group, the Company has committed to the Group's ESG approach, which is structured around focus areas considered to be material to our business. Assessing and managing Macquarie Groupwide ESG risks is a key business priority and an important component of Macquarie's broader risk management framework, to which the Company is subject.

*Clear dialogue with stakeholders is important to building strong relationships, understanding external dynamics, earning and maintaining trust, enhancing business performance and evolving our ESG approach. The Macquarie Group regularly engages with a broad range of stakeholders including clients, shareholders, investors, analysts, governments, regulators, the workforce, suppliers and the wider community.*

Macquarie Group recognises that failure to manage ESG risks affect communities, the environment and other external parties, and expose the organisation to commercial, reputational and regulatory impacts.

In early FY2022, Macquarie made a commitment to reach net zero operational emissions by 2025<sup>1</sup> and to align financing activity with the global goal of net zero emissions by 2050. Macquarie is committed to playing a leading role in driving the global transition to net zero. Alongside our own investment commitment and working with clients to deliver practical client solutions, we are playing an active role in the mobilisation of private capital through our participation in global initiatives, such as the Glasgow Financial Alliance for Net Zero and the Climate Finance Leadership Initiative.

The Board acknowledges the work of the Macquarie Group Foundation (the "Foundation"), which is the philanthropic arm of Macquarie. The Foundation encourages Macquarie's employees to give back to the communities in which they live and work by contributing service, financial support and leadership to the community organisations they feel passionately about.

<sup>1</sup>Operational emissions include scope 1 and scope 2 emissions, and emissions from business travel.

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

**Section 172 (continued)**

**e) Reputation for high standards:**

The reputations of the Company and its Directors are fundamental to the long-term success of the Company and significant effort is expended to ensure that performance and processes attain and wherever possible exceed expectations. The Macquarie Group and the Company are committed to maintaining high ethical standards – adhering to laws and regulations, conducting business in a responsible way and treating all stakeholders with honesty and integrity. These principles are further reflected in the Code.

**f) Need to act fairly as between members of the Company:**

The Company is a separate legal entity and is therefore making this statement as such, but in practical terms, the Company is part of a wider group and in addition to promoting the success of the Company as a whole, the duties of the Directors of the Company are exercised in a way that is most likely to promote the success of the Company for the Macquarie group as a whole, while having regard to factors outlined in section 172(1) Companies Act 2006.

**Directors' confirmations**

In the case of each Director in office at the date the Directors' Report is approved:

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

**Streamlined energy and carbon reporting ("SECR") requirement**

The Company consumed less than 40MWh for the financial year ended 31 March 2022 and for this reason the Company is not required to disclose energy and carbon information in this report.

**Independent auditors**

Pursuant to section 487(2) of the Companies Act 2006, the auditors of the Company are deemed re-appointed for each financial year unless the Directors or the members of the Company resolve to terminate their appointment. The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and, as at the date of these financial statements, the Directors are not aware of any resolution to terminate the appointment of the auditors.

On behalf of the Board,



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Phillip Nash  
Director  
22 July 2022

# Macquarie Capital (Europe) Limited

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

	Note	Continuing Operations		Discontinued Operations <sup>1</sup>		Total	
		2022	2021	2022	2021	2022	2021
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Turnover</b>	4	<b>104,320</b>	107,757	<b>1,014</b>	10,388	<b>105,334</b>	118,145
Administrative expenses	4	<b>(104,589)</b>	(115,991)	<b>(1,865)</b>	(21,749)	<b>(106,454)</b>	(137,740)
Other operating income	4	<b>22</b>	3,176	<b>615</b>	11,665	<b>637</b>	14,841
<b>Operating (loss)/profit</b>		<b>(247)</b>	(5,058)	<b>(236)</b>	304	<b>(483)</b>	(4,754)
Interest receivable and similar income	4	<b>349</b>	659	<b>9</b>	171	<b>358</b>	830
Interest payable and similar expenses	4	<b>(1,101)</b>	(1,639)	<b>(203)</b>	(458)	<b>(1,304)</b>	(2,097)
Net impairment losses on financial assets	4	<b>(1,487)</b>	563	<b>8</b>	14	<b>(1,479)</b>	577
<b>(Loss)/profit before taxation</b>		<b>(2,486)</b>	(5,475)	<b>(422)</b>	31	<b>(2,908)</b>	(5,444)
Tax on (loss)/profit	6	<b>599</b>	339	<b>203</b>	(2,376)	<b>802</b>	(2,037)
<b>Loss for the financial year</b>		<b>(1,887)</b>	(5,136)	<b>(219)</b>	(2,345)	<b>(2,106)</b>	(7,481)

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

<sup>1</sup>The Company transferred the operations of the branches in Germany, Netherlands and France as well as the operations of the representative office in Spain to Macquarie Capital France Société Anonyme ("MCF"). Please refer to Note 30 *Discontinued operations* for further details. The gain in the current financial year recognised from the transfer of the representative office in Spain was £696,000, which is included in other operating income in the above profit and loss account. The gain in the previous financial year recognised from the transfer of the branches in Germany, Netherlands, and France was £11,600,000, which is included in the other operating income in the above profit and loss account.

# Macquarie Capital (Europe) Limited

## Statement of comprehensive income for the financial year ended 31 March 2022

	Note	2022 £'000	2021 £'000
<b>Loss for the financial year</b>		<b>(2,106)</b>	<b>(7,481)</b>
Other comprehensive income/(loss)			
Movements in items that may be subsequently reclassified to the profit and loss account:			
Fair value through other comprehensive income ("FVOCI") reserve, net of tax <sup>1</sup> :			
Revaluation movement	21	5	-
Foreign exchange movements on translation	21	576	(1,003)
Movements in items that will not be subsequently reclassified to the profit and loss account:			
Actuarial gain/(loss) on pension plans	21	362	(152)
Deferred tax associated with actuarial gain/(loss)	21	7	79
<b>Total other comprehensive income/(loss)</b>		<b>950</b>	<b>(1,076)</b>
<b>Total comprehensive loss</b>		<b>(1,156)</b>	<b>(8,557)</b>
Total comprehensive loss for the financial year that are attributable to ordinary equity holders of the Company		<b>(1,156)</b>	<b>(8,557)</b>

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

<sup>1</sup>All items are net of tax, where applicable.

# Macquarie Capital (Europe) Limited

COMPANY NUMBER 03704031

## Balance sheet as at 31 March 2022

	Note	2022 £'000	2021 £'000
<b>Fixed assets</b>			
Tangible assets	7	7	15
		7	15
<b>Current assets</b>			
Cash at bank and in hand	8	11,317	2,140
Financial investments	9	4,999	-
Debtors	10	1,215,405	1,244,302
Held for sale assets	11	1,621	2,264
Deferred tax assets	13	904	1,124
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	14	(1,036,360)	(1,015,327)
Held for sale liabilities	15	(1,617)	(2,659)
<b>Net current assets</b>		<b>196,269</b>	<b>231,844</b>
<b>Total assets less current liabilities</b>		<b>196,276</b>	<b>231,859</b>
Creditors: amounts falling due after more than one year	16	(17,690)	(50,732)
Provisions for liabilities	17	(847)	(1,801)
<b>Net assets excluding pension liability</b>		<b>177,739</b>	<b>179,326</b>
Pension liability	18	(1,029)	(1,448)
<b>Net assets including pension liability</b>		<b>176,710</b>	<b>177,878</b>
<b>Capital and reserves</b>			
Called up share capital	19	331,601	331,601
Share premium reserve	19	4,999	4,999
Equity contribution from ultimate parent entity	20	2,105	2,117
Reserves	21	443	(507)
Profit and loss account	21	(162,438)	(160,332)
<b>Total capital and reserves</b>		<b>176,710</b>	<b>177,878</b>

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 15 to 65 were authorised for issue by the Board of Directors on 22 July 2022 and were signed on its behalf by:



Phillip Nash  
Director

## Macquarie Capital (Europe) Limited

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

	Note	Called up share capital £'000	Share premium reserve £'000	Equity contribution from ultimate parent entity £'000	Reserves £'000	Profit and loss account £'000	Total shareholders' funds £'000
<b>Balance as at 1 April 2020</b>		<b>331,601</b>	<b>4,999</b>	<b>2,090</b>	<b>569</b>	<b>(152,851)</b>	<b>186,408</b>
Loss for the financial year	21	-	-	-	-	(7,481)	(7,481)
Other comprehensive loss		-	-	-	(1,076)	-	(1,076)
<b>Total comprehensive loss</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,076)</b>	<b>(7,481)</b>	<b>(8,557)</b>
Other equity movements							
Deferred tax on share based payments	20	-	-	27	-	-	27
<b>Balance as at 31 March 2021</b>		<b>331,601</b>	<b>4,999</b>	<b>2,117</b>	<b>(507)</b>	<b>(160,332)</b>	<b>177,878</b>
Loss for the financial year	21	-	-	-	-	(2,106)	(2,106)
Other comprehensive income		-	-	-	950	-	950
<b>Total comprehensive income/(loss)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>950</b>	<b>(2,106)</b>	<b>(1,156)</b>
Other equity movements							
Deferred tax on share based payments	20	-	-	(12)	-	-	(12)
<b>Balance as at 31 March 2022</b>		<b>331,601</b>	<b>4,999</b>	<b>2,105</b>	<b>443</b>	<b>(162,438)</b>	<b>176,710</b>

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.

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# Macquarie Capital (Europe) Limited

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## Notes to the financial statements for the financial year ended 31 March 2022

### Note 1. Company information

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

The principal activities of the Company during the financial year ended 31 March 2022 were to undertake activities related to Corporate Advisory and Cash Equities services.

### Note 2. Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101") and have been prepared in accordance with the provisions of the Companies Act 2006.

The financial statements contain information about the Company as an individual Company.

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

#### i) Going concern

As at 31 March 2022, the Company had net assets of £176,710,000 (2021: £177,878,000). The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. No material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern have been identified by the Directors. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

#### ii) Basis of measurement

The financial statements have been prepared in accordance with the Companies Act 2006 and under the historical cost convention except for the following items:

- financial instruments required to be measured at fair value through profit or loss ("FVTPL"); financial assets classified as fair value through other comprehensive income ("FVOCI") and financial instruments that have been designated as FVTPL ("DFVTPL").
- non-current assets and disposal groups that have been classified as held for sale ("HFS") and where the disposal group has been impaired to its fair value less costs to sell.

#### iii) Disclosure exemptions

FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in FRS 101 which addresses the financial reporting requirements and disclosure exemptions in the financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of UK-adopted international standards.

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

- The requirements of paragraphs 45(b) and 46-52 of IFRS 2 'Share-based Payment' (details of the number and weighted average exercise price of share-based payment arrangements concerning equity instruments of another group entity and how the fair value of goods or services received was determined).
- The requirements of paragraph 33(c) of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' (details of cash flows of discontinued operations).
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 'Revenue from Contracts with Customers'.

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# Macquarie Capital (Europe) Limited

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## Notes to the financial statements for the financial year ended 31 March 2022

### Note 2. Basis of preparation (continued)

#### iii) Disclosure exemptions (continued)

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

- 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).
  - Paragraph 73(e) of IAS 16 'Property, Plant and Equipment'.
- The requirements of paragraphs of IAS 1, 'Presentation of financial statements':
  - 10 (d), (statement of cash flows),
  - 16 (statement of compliance with all IFRS),
  - 38A (requirement for minimum of two primary statements, including cash flow statements),
  - 38 B-D (additional comparative information),
  - 111 (cash flow statement information), and
- 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 and 18A of IAS 24 'Related Party Disclosures' (key management compensation).
- The requirements of IAS 24 to disclose related party transactions entered into between two or more members of a group where both parties to the transaction are wholly owned within the group.
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 'Impairment of Assets'.

#### iv) Critical accounting estimates and significant judgements

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

- the assessment of whether certain rights are protective or substantive in nature, whether these rights are held in the capacity as agent or principal.

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

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

#### v) Coronavirus ("COVID-19") impact

The Novel Coronavirus has had significant impacts on global economies and equity, debt and commodity markets, led to several changes in the economy and resulted in several support actions by financial markets, governments, and regulators. The impact of COVID-19 continues to evolve and, where applicable, has been incorporated into the determination of the Company's results of operations and measurement of its assets and liabilities at the reporting date.

The Company's processes to determine the impact of COVID-19 for these financial statements is consistent with the processes disclosed and applied in its 31 March 2021 financial statements. Those processes identified that expected credit losses (Note 12) required continued judgement as a result of the impact of COVID-19.

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# Macquarie Capital (Europe) Limited

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

### Note 2. Basis of preparation (continued)

#### v) Coronavirus ("COVID-19") impact (continued)

As there is a higher than usual degree of uncertainty associated with these assumptions and estimates, actual outcomes may differ to those forecasted which may impact the accounting estimates included in these financial statements. Other than adjusting events that provide evidence of conditions that existed at the end of the reporting period, the impact of events that arise after the reporting period will be accounted for in future reporting periods.

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

The amendments to existing accounting standards that are effective for the annual reporting period beginning on 1 April 2021 did not result in a material impact to the Company's financial statements.

### Note 3. Significant accounting policies

#### i) Foreign currency translation

##### *Functional and presentation currency*

The functional currency of the Company (including branches) is determined as the currency of the primary economic environment in which the Company operates. The Company's financial statements are presented in 'Pounds Sterling' (£), which is also the Company's functional currency.

##### *Transactions and balances*

At initial recognition, a foreign currency transaction is translated into the entity's functional currency using the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of each reporting period:

- foreign currency monetary assets and liabilities are translated using the closing exchange rate;
- non-monetary items (including equity) measured in terms of historical cost in a foreign currency remain translated using the spot exchange rate at the date of the transaction; and
- non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date that the fair value was measured.

Foreign exchange gains and losses arising from the settlement or translation of monetary items, or non-monetary items measured at fair value are recognised in other operating income.

For the detailed policy on Financial instruments refer Note 3(iv) *Financial Instruments*.

##### *Subsidiaries and other entities*

The Company has branches in Germany, Ireland, the Netherlands, and France. It also has representative offices in Switzerland and Spain. In the previous financial year, the Company transferred the operations of the branches in Germany, Netherlands and France to MCF. In the current financial year on 1 April 2021, the Company transferred the operations of the representative office in Spain to MCF. Please refer to Note 30 *Discontinued operations* for further details. The results and financial position of the Company's foreign branches and/or representative offices that have a functional currency other than Pounds Sterling are translated into Pounds Sterling as follows:

- assets and liabilities included in each balance sheet presented are translated at the closing exchange rate at the date of each balance sheet.
- income and expenses included in each profit and loss account are translated at actual exchange rates at the dates of the transactions.
- all resulting exchange differences are recognised in OCI within a separate component of reserves (refer Note 21 *Reserves and profit and loss account*).

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# Macquarie Capital (Europe) Limited

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

### Note 3. Significant accounting policies (continued)

#### i) Foreign currency translation (continued)

##### *Subsidiaries and other entities (continued)*

Foreign currency gains and losses on intragroup loans are recognised in the profit and loss account except where the loan is in substance part of the Company's net investment in the foreign operation, in which case the foreign currency gains and losses are recognised in OCI within a separate component of reserves.

The exchange gains or losses recognised in foreign currency translation reserve ("FCTR") are reclassified to the income statement or reattributed within equity as follows:

- if there is a disposal of a foreign operation, then the accumulated FCTR is reclassified from OCI to investment income within other operating income
- if there is a partial disposal of a foreign operation that is an associate or joint arrangement, without loss of significant influence or joint control, then a proportionate share of the accumulated FCTR is reclassified to investment income
- if there is a partial disposal of a foreign operation that is a subsidiary, without loss of control, then a proportionate share of the accumulated FCTR is reattributed within equity to non-controlling interests.

#### ii) Revenue and expense recognition

##### *Net interest income / expense*

Interest income and interest expense are recognised using the effective interest rate ("EIR") method for financial assets, and financial liabilities carried at amortised cost, and debt financial assets classified as at fair value through OCI. The EIR method calculates the amortised cost of a financial instrument at a rate that discounts estimated future cash receipts or payments through the expected life of the financial instrument to the net carrying amount of the financial asset or liability. The calculation of the EIR does not include ECL.

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

Interest income on financial assets that are not credit impaired is determined by applying the financial asset's EIR to the financial asset's gross carrying amount. Interest income on financial assets that are subsequently classified as credit impaired (Stage 3), is recognised by applying the EIR to the amortised cost carrying value (being the gross carrying value after deducting the impairment loss).

Interest income and expense on financial assets and liabilities that are classified as FVTPL is accounted for on a contractual rate basis.

##### *Fee and commission income*

Revenue earned by the Company from its contracts with customers primarily consists of the following categories of fee and commission income:

*Mergers and acquisitions, advisory and underwriting fees* - The Company earns revenue through its role as advisor on corporate transactions as well as through its role as manager and underwriter of debt issuances. The revenue from these arrangements is recognised at a point in time, and when it has been established that the customer has received the benefit of the service such that the performance obligation is satisfied. For advisory services this is typically at the time of closing the transaction.

Where mandates contain rights to invoice upon reaching certain milestones, the Company assesses whether distinct services have been transferred at these milestones and accordingly recognises revenue. If not, the fee recognition will be deferred until such time as the performance obligation has been completed. Management of capital raisings and underwriting of debt capital raisings are each considered distinct performance obligations that are typically satisfied on the allocation date of the underwritten securities.

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# Macquarie Capital (Europe) Limited

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

### Note 3. Significant accounting policies (continued)

#### ii) Revenue and expense recognition (continued)

##### *Fee and commission income (continued)*

*Brokerage income* - The Company enters into contracts with customers to act as an agent to buy and sell securities. The brokerage and commission income related to this service is recognised on trade date and is presented net of any rebates.

*Equities research income* - The Company earned revenue through its role as an agent in providing external clients access to global cash equity research services performed by other Macquarie Group entities. There is significant accounting judgement involved in determining whether the Company acts as an agent or principal under IFRS 15 when providing its external clients access to research services provided by other Macquarie Group entities. The revenue from these arrangements is recognised at a point in time, and when it has been established that the customer has received the benefit of the service such that the performance obligation is satisfied.

##### *Other operating income*

Other operating income comprises of gain on transfers and other income.

Investment income includes gains and losses arising from subsequent changes in the fair values of equity and debt investment securities that are classified as FVTPL and dividends or distributions on these securities which represent the return on such investments. Impairment losses/reversal of impairment losses on these financial assets are not reported separately from other changes in fair value.

Gains or losses on the change of control, and reclassifications to held for sale also forms part of other operating income.

##### *Expenses*

Expenses are recognised in the profit and loss account as and when the provision of services is received.

##### *Fees shared from/shared with related entities*

Fees shared with related entities is recognised as per the agreed fee sharing arrangement. These are recognised in the Company's profit and loss account under Administrative expenses.

##### *Fee expense*

Management fees and cost recoveries are charged to the Company in respect of services provided by other Macquarie Group entities as per the agreed cost sharing arrangement. Such expenses are recognised as Administrative expenses in the Company's profit and loss account on an accrual basis in accordance with the standard recovery methodology applied by the servicing entity.

#### iii) Taxation

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

Deferred tax assets are recognised when temporary differences arise between the tax basis of assets and liabilities and their respective carrying amounts which give rise to a future tax benefit, or when a benefit arises due to unused tax losses. In both cases, deferred tax assets are recognised only to the extent that it is probable that future taxable amounts will be available against which to utilise those temporary differences or tax losses.

Deferred tax liabilities are recognised when such temporary differences give rise to taxable amounts that are payable in future periods. Deferred tax assets and liabilities are recognised at the tax rates expected to apply when the assets are recovered, or the liabilities are settled under enacted or substantively enacted tax law.

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# Macquarie Capital (Europe) Limited

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

### Note 3. Significant accounting policies (continued)

#### iii) Taxation (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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

Current and deferred taxes attributable to amounts recognised in OCI are also recognised in OCI.

The Company exercises judgement in determining whether deferred tax assets, particularly in relation to tax losses, are probable of recovery.

Factors considered include the ability to offset tax losses, the nature of the tax loss, the length of time that tax losses are eligible for carry forward to offset against future taxable profits and whether future taxable profits are expected to be sufficient to allow recovery of deferred tax assets.

The Company undertakes transactions in the ordinary course of business where the income tax treatment requires the exercise of judgement. The Company estimates the amount expected to be paid to/(recovered from) tax authorities based on its understanding and interpretation of the law. Uncertain tax positions are presented as current or deferred tax assets or liabilities with reference to the nature of the underlying uncertainty.

#### Value-Added Tax ("VAT")

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

#### iv) Financial instruments

##### *Recognition of financial instruments*

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

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

The best evidence of a financial instrument's fair value at initial recognition is its transaction price, unless its fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique for which variables include only inputs from observable markets.

Financial instruments arising in multiple transactions are accounted for as a single arrangement if this best reflects the substance of the arrangement. Factors considered in this assessment include whether the financial instruments:

- are entered into at the same time and in contemplation of one another;
- have the same counterparty;
- relate to the same risk;
- there is no apparent economic need or substantive business purpose for structuring the transactions separately that could not also have been accomplished in a single transaction; or
- consideration of whether each of the financial instruments has its own terms and conditions and each may be transferred or settled separately.

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# Macquarie Capital (Europe) Limited

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

### Note 3. Significant accounting policies (continued)

#### iv) Financial instruments (continued)

##### *Derecognition of financial instruments*

###### Financial assets

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

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

A financial asset is transferred if, and only if, the Company:

- (i) transfers the contractual rights to receive the cash flows of the financial asset; or
- (ii) retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement where the Company is:
  - not obligated to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset;
  - prohibited from selling or pledging the original asset other than as security to the eventual recipients; and
  - obligated to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In transactions where the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, the asset is de-recognised if control over the asset is lost. Any interest in the transferred and de-recognised financial asset that is created or retained by the Company is recognised as a separate asset or liability.

In transfers where control over the asset is retained, the Company continues to recognise the asset to the extent of its continuing involvement as determined by the extent to which it is exposed to changes in the value of the transferred asset.

###### Financial liabilities

Financial liabilities are derecognised from the balance sheet when the Company's obligation has been discharged, cancelled or has expired.

##### *Classification and subsequent measurement*

###### Financial assets

Financial assets are classified based on the business model within which the asset is held and on the basis of the financial asset's contractual cash flow characteristics.

###### Business model assessment

The Company uses judgement in determining the business model at the level that reflects how groups of financial assets are managed and its intention with respect to its financial assets. In determining the business model, all relevant evidence that is available at the date of the assessment is used including:

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

###### Solely payment of principal and interest ("SPPI")

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

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# Macquarie Capital (Europe) Limited

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

### Note 3. Significant accounting policies (continued)

#### iv) Financial instruments (continued)

##### *Classification and subsequent measurement (continued)*

###### Amortised cost

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

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

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

###### Fair value through other comprehensive income ("FVOCI")

A financial asset is subsequently measured at FVOCI if the following conditions are met:

- (i) the financial asset is held within a business model whose objective is to both collect contractual cash flows and to sell the financial asset;
- (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI requirements; and
- (iii) the financial asset has not been classified as DFVTPL.

Subsequent changes in fair value are recognised in OCI, with the exception of interest (which is recognised as part of interest income), ECL (which is recognised as credit impairment charges/reversals in net impairment losses on financial assets) and foreign exchange gains and losses (which are recognised in other operating income). When debt financial assets classified at FVOCI are de-recognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI and recognised as part of other operating income.

###### Fair value through profit or loss ("FVTPL")

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

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

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

Equity financial assets that are not held for active trading are measured at FVTPL. Subsequent changes in fair value are recognised within other operating income.

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# Macquarie Capital (Europe) Limited

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

### Note 3. Significant accounting policies (continued)

#### iv) Financial instruments (continued)

##### *Classification and subsequent measurement (continued)*

Fair value through profit or loss ("FVTPL") (continued)

Subsequent changes in the fair value of debt financial assets are measured at FVTPL are presented as follows:

- Changes in the fair value of financial assets that are classified as HFT and financial assets managed on a fair value basis are recognised in other operating income;
- Changes in the fair value of debt financial investments and loans to associates and joint ventures that fail SPPI are recognised as part of other operating income;
- Changes in the fair value of all other FVTPL and DFVTPL financial assets are recognised within other operating income.

Where applicable, the interest component of financial assets is recognised as interest and similar income.

#### Financial liabilities

Financial liabilities are subsequently measured at amortised cost, unless they are either HFT, or have been designated to be measured at FVTPL (DFVTPL). A financial liability may be DFVTPL if:

- such a designation eliminates or significantly reduces an accounting mismatch that would otherwise have arisen;
- a group of financial liabilities, or financial assets and financial liabilities, is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the liability contains embedded derivatives which must otherwise be separated and carried at fair value.

Changes in the fair value of financial liabilities that are not classified as HFT, with the exception of changes in fair value relating to changes in the Company's own credit risk that are presented separately in OCI and are not subsequently reclassified to profit or loss, are recognised as part of other operating income.

Where applicable, the interest component of financial liabilities is recognised as interest and similar expense.

#### Offsetting of financial instruments

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

#### v) Cash collateral on securities borrowed & lent and reverse repurchase agreements

As part of its trading and financing activities, the Company borrows and lends securities, commodities and other assets ("underlying") on a collateralised basis. The underlying subject to the arrangement is not de-recognised from the balance sheet of the relevant parties, as the risks and rewards of ownership remain with the initial holder.

These transactions include:

- reverse repurchase transactions, where the Company purchases an underlying under an agreement to resell;
- repurchase transactions, where the Company sells an underlying under an agreement to repurchase.

The Company continually reviews the fair values of the underlying on which the above transactions are based and, where appropriate, requests or provides additional collateral to support the transactions, in accordance with the terms of the respective agreements.

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# Macquarie Capital (Europe) Limited

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

### Note 3. Significant accounting policies (continued)

#### v) Cash collateral on securities borrowed & lent and reverse repurchase agreements (continued)

Reverse repurchase agreements that are held within the Company's cash and liquid assets portfolio are measured at FVOCI as they are held in a business model to both collect contractual cash flows and with the intention to sell.

Also refer to Note 28 *Measurement categories of financial instruments*.

As part of its financing activities, the Company enters into reverse repurchase agreements, where the Company purchases securities under an agreement to resell on a collateralised basis. The securities subject to the reverse repurchase are not recognised on the balance sheet of the Company, as the risks and rewards of ownership remain with the initial holder. These reverse repurchase agreements which are held in the Company's liquid asset portfolio are measured at FVOCI to reflect the Company's business model to both collect contractual cash flows and with the intention to sell. Refer Note 3(iv) for the detailed *Financial Instruments* accounting policy.

#### vi) Margin money and settlement assets and liabilities

Margin money and settlement assets and liabilities includes trade settlement balances, margin monies and balances with clearing houses. Margin monies primarily represent deposits placed with clearing houses in relation to futures trading and other derivatives transactions. The balance includes both initial margin and variation margin which varies based on trading activities. The balance also includes client margin calls which are funded by the Company. Settlement balances represent outstanding trade timing balances as at the reporting date due to the timing difference between trade date and settlement date. Balances are carried at amortised cost.

#### vii) Financial investments

Investment securities in this category include investments in debt securities which are not actively traded by the Company. Debt investment securities in this category are comprised of government bonds and other debt securities.

Financial investments are initially recognised on trade date at fair value (adjusted for directly attributable transaction costs for debt investments subsequently measured at amortised cost or FVOCI) and subsequently measured in accordance with Note 3(iv) *Financial Instruments*.

#### viii) Cash at Bank and In Hand

Cash at bank includes cash and bank balances, currency on hand, demand deposits and short-term balances with Central and other banks. These balances are subsequently measured at amortised cost. Cash at bank excludes margin money balances and certain client-related balances which are segregated from the Company's own funds and thus restricted from use.

#### ix) Tangible assets

Tangible assets are stated at historical cost (which includes, where applicable, directly attributable borrowing costs) less accumulated depreciation and, where applicable, accumulated impairment losses.

Depreciation is the process to allocate the difference between cost and residual values over the estimated useful life. Where the residual value exceeds the carrying value, no depreciation is charged. Depreciation is calculated on a straight-line basis.

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# Macquarie Capital (Europe) Limited

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

### Note 3. Significant accounting policies (continued)

#### ix) Tangible assets (continued)

Annual depreciation rates are summarised below:

<b>Tangible assets</b>	<b>Depreciation rates</b>
Furniture, fittings and leasehold improvements <sup>1</sup>	10 to 20 %
Computer and communication equipment	33 to 50 %

<sup>1</sup> Where remaining lease terms are less than five years (20%), leasehold improvements are depreciated over the remaining lease term.

Useful lives, residual values and depreciation methods are reviewed annually and reassessed in the light of commercial and technological developments. Gains and losses on disposal are determined by comparing the proceeds with the asset's carrying amount and are recognised as part of other operating income in the profit and loss account.

The depreciation charge is recognised as part of administrative expenses.

#### x) Other assets and liabilities

##### ***Contract assets and contract liabilities***

Where the Company provides services to clients and the consideration is unconditional, a receivable is recognised. Where the consideration is conditional on something other than passage of time, such as performance fees, these are recorded as contract assets. Both receivables and contract assets are assessed for impairment in accordance with IFRS 9.

The Company, as permitted by IFRS 15 *Revenue from Contracts with Customers*, has applied the practical expedient that allows for costs incurred to obtain a contract to be expensed as incurred where the amortisation period for any asset recognised would be less than 12 months. The Company also applies the practical expedient not to adjust consideration for the effects of a significant financing component, where the period between transferring a good or service and when the customer pays for that good or service is expected to be one year or less.

Contract liabilities relate to prepayments received from customers where the Company is yet to satisfy its performance obligation.

##### ***Non-current assets and liabilities of disposal groups classified as held for sale***

This category includes assets and disposal groups (groups of assets to be disposed of in a single transaction and directly attributable liabilities) for which the carrying amount will be recovered principally through a sale or distribution transaction rather than continuing use.

These assets and disposal groups are classified as held for sale when they are available for immediate sale in their present condition and the sale or distribution is highly probable, including that the sale or distribution is expected to occur within 12 months.

Non-current assets and liabilities of disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Equity accounting, depreciation and amortisation is suspended when the held for sale criteria is satisfied.

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# Macquarie Capital (Europe) Limited

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

### Note 3. Significant accounting policies (continued)

#### x) Other assets and liabilities (continued)

##### ***Non-current assets and liabilities of disposal groups classified as held for sale (continued)***

An impairment loss is recognised for any initial or subsequent write down of the asset to fair value less costs to sell and is recognised in other impairment charges/reversal. A gain is recognised for any subsequent increase in fair value less costs to sell, limited to the cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of sale is recognised at the date of sale.

Financial assets and liabilities that are classified as held for sale are measured in accordance with the Company's financial instruments' policies.

#### xi) Provisions and contingent liabilities

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation that has arisen as a result of past events and for which a reliable estimate can be made. Contingent liabilities, which generally include letters of credit, indemnities, performance-related contingents and guarantees (other than financial guarantees) are not recognised in the financial statements but are disclosed in the notes to the financial statements unless they are considered remote.

##### ***Employee benefit provisions***

Employee benefit provisions are recognised by the Company as and when the service has been rendered after deducting amounts already paid. Liabilities for unpaid salaries, salary-related costs and provisions for annual leave are recorded on the balance sheet at the salary rates which are expected to be paid when the liability is settled. Provisions for long service leave and other long-term benefits are recognised at the present value of expected future payments to be made.

In determining this amount, consideration is given to expected future salary levels and employee service histories. Expected future payments are discounted to their net present value using discount rates on high quality corporate bonds, except where there is no deep market, in which case rates on applicable government securities are used. Such discount rates have terms that match as closely as possible the expected future cash flows.

Provisions for unpaid employee benefits are de-recognised when the benefit is settled or is transferred to another entity and the Company is legally released from the obligation and does not retain a constructive obligation.

#### xii) Due to/from related entities

Transactions between the Company and other Macquarie Group entities principally arise from the provision of lending arrangements and acceptance of funds on deposit, intercompany services and transactions, and are accounted for in accordance with Note 3(ii) *Revenue and expense recognition* and Note 3(iv) *Financial Instruments*. Financial assets and financial liabilities are presented net where the offsetting requirements are met (Note 3(iv)), such that the net amount is reported in the balance sheet.

#### xiii) Impairment Expected credit losses ("ECL")

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

The calculation of ECL requires judgement and the choice of inputs, estimates and assumptions. Refer to Note 12 *Expected credit losses* for further information. Outcomes within the next financial period that are different from management's assumptions and estimates could result in changes to the timing and amount of ECL to be recognised.

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# Macquarie Capital (Europe) Limited

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

### Note 3. Significant accounting policies (continued)

#### xiii) Impairment (continued)

##### Expected credit losses ("ECL") (continued)

The ECL is determined with reference to the following stages:

##### i) Stage 1 – 12 month ECL

At initial recognition, and for financial assets for which there has not been a significant increase in credit risk ("SICR") since initial recognition, ECL is determined based on the probability of default ("PD") over the next 12 months and the lifetime losses associated with such PD, adjusted for FLI. Stage 1 also includes financial assets where the credit risk has improved and the instrument has been reclassified from Stage 2.

##### ii) Stage 2 – Lifetime ECL not credit-impaired

When there has been a SICR since initial recognition, the ECL is determined with reference to the financial asset's lifetime PD and the lifetime losses associated with that PD, adjusted for FLI. The Company exercises judgement in determining whether there has been a SICR since initial recognition based on qualitative, quantitative, and reasonable and supportable information that includes FLI. Detail on the Company's process to determine whether there has been a SICR is provided in Note 12 *Expected credit losses*.

Use of more alternative criteria could result in significant changes to the timing and amount of ECL to be recognised. Lifetime ECL is generally determined based upon the contractual maturity adjusted, where appropriate, for prepayments, extension, call and similar options, of the financial asset. For revolving facilities, the Company exercises judgement based on the behavioural, rather than contractual characteristics of the facility type. Stage 2 may include financial assets where the credit risk has improved and has been reclassified from Stage 3.

##### iii) Stage 3 – Lifetime ECL credit-impaired

Financial assets are classified as Stage 3 where they are determined to be credit impaired, which generally matches the definition of default. This includes exposures that are at least 90 days past due and where the obligor is unlikely to pay without recourse against available collateral.

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

#### Presentation of loss allowances

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

- loan assets and amounts due from other Macquarie group entities measured at amortised cost – as a deduction to the gross carrying amount
- debt financial investments measured at FVOCI – as a reduction in FVOCI reserve within equity. The carrying amount of the asset is not adjusted as it is recognised at fair value
- contract receivables and other assets measured at amortised cost – as a deduction to the gross carrying amount

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

#### xiv) Performance based remuneration

##### Share based payments

The ultimate parent Company, MGL, operates share-based compensation plans, which include awards (including those delivered through the Macquarie Group Employee Retained Equity Plan ("MEREP")) granted to employees under share acquisition plans. Information relating to these schemes is set out in Note 25 *Employee equity participation*.

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# Macquarie Capital (Europe) Limited

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

### Note 3. Significant accounting policies (continued)

#### xiv) Performance based remuneration (continued) *Share based payments (continued)*

The Company accounts for its share-based payments as follows:

*Equity settled awards:* The awards are measured at their grant date fair value and based on the number of equity instruments expected to vest. Expenses are recognised as part of employment expenses with a corresponding increase in equity with reference to the vesting period of those awards. Performance hurdles attached to Performance Share Units ("PSUs") under the MEREP are not taken into account when determining the fair value of the PSUs at the grant date. Instead, these vesting conditions are taken into account by adjusting the number of equity instruments expected to vest. Upon vesting, the amount recognised in the share-based payment reserve is transferred to contributed equity.

For the company, the accounting is dependent on whether the Company is compensated for its obligations under the MEREP award.

To the extent that employing subsidiaries compensate the Company for the MEREP offered to their employees, a recharge liability due to subsidiaries is recognised by the Company at grant date representing the payment received in advance of the award being settled. This liability reduces over the vesting period with a corresponding increase in the share-based payments reserve. MEREP liabilities are recognised and disclosed in Note 23 *Related party information*. To the extent that employing subsidiaries do not compensate the Company for the MEREP offered to their employees', the Company reflects the provision of the equity settled award as a contribution to its subsidiary and as a result increases its investment in subsidiary with a corresponding increase in the share-based payments reserve. Upon vesting, amounts recognised in the share-based payments reserve are transferred to contributed equity.

*Cash settled awards:* The award liability is measured with reference to the number of awards and the fair value of those awards at each reporting date. Expenses are recognised as part of employment expenses with reference to the vesting period of those awards. Changes in the value of the liability are recognised in employment expenses.

#### ***Profit share remuneration***

The Company recognises a liability and an expense for profit share remuneration to be paid in cash with reference to the performance period to which the profit share relates.

#### xv) Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. At inception, or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component unless an election is made to account for the lease and non-lease components as a single lease component.

#### ***Accounting where the Company is the lessee***

The Company leases corporate buildings for which contracts are typically entered into for fixed periods of 12 months to 33 years and may include extension options. Leases are recognised as held for sale assets (as explained in Note 11 *Held for sale assets* and Note 30 *Discontinued operations*) and a corresponding liability at the commencement date, being the date the leased asset is available for use by the Company.

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# Macquarie Capital (Europe) Limited

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

### Note 3. Significant accounting policies (continued)

#### xv) Leases (continued)

##### *Lease liabilities*

Lease liabilities are initially measured at the present value of the future lease payments at the commencement date, discounted using the interest rate implicit in the lease (or if that rate cannot be readily determined, the lessee's incremental borrowing rate). Lease payments are allocated between principal and interest expense. Interest expense is, unless capitalised on a qualifying asset which is not measured at fair value, recognised as part of interest and similar expense in the profit and loss account over the lease period on the remaining lease liability balance for each period.

Lease liabilities are remeasured when there is a change in future lease payments arising from a change in lease term, an assessment of an option to purchase the underlying asset, an index or rate, or a change in the estimated amount payable under a residual value guarantee.

##### **Presentation**

As a result of the transfer to MCF, lease assets and lease liabilities associated with Macquarie Capital (Europe) Limited, Niederlassung Deutschland and Macquarie Capital (Europe) Limited, Amsterdam Branch, have been disclosed as HFS assets and HFS liabilities on the balance sheet. Refer to Note 30 *Discontinued operations* for further details on the transfer.

#### xvi) Defined benefit pension plan

Pension plan assets and obligations recognised in the balance sheet represent the net present value of the defined benefit obligation and the fair value of the plan assets at the balance sheet date. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting estimated future cash flows using yields on high quality corporate bonds which have terms to maturity approximating the terms of the related liability.

The determination of the pension cost and defined benefit obligation of the Company's defined benefit pension plans depends on certain assumptions, which include the discount rate, inflation rate, salary growth, longevity and expected return on plan assets.

Actuarial gains and losses arising from the difference between actual and expected returns on plan assets, experience adjustments on liabilities and changes in actuarial assumptions are recognised in the statement of comprehensive income for the financial year.

#### xvii) Called up share capital

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

#### xviii) Rounding of amounts

All amounts in the Strategic Report, Directors' Report and Financial Statements have been rounded off to the nearest thousand pound sterling (£'000) unless otherwise indicated.

# Macquarie Capital (Europe) Limited

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

### Note 4. (Loss)/profit before taxation

	2022	2021
	£'000	£'000
<b>(Loss)/profit before taxation is stated after crediting/charging:</b>		
<b>Turnover by category:</b>		
Advisory services	63,806	65,694
Brokerage commission income	31,385	42,268
Net trading income	129	171
Equities research income	-	73
Underwriting income	828	-
Service fees received from other Macquarie Group undertakings	9,136	9,878
Other revenue	50	61
<b>Total turnover</b>	<b>105,334</b>	<b>118,145</b>
<b>Administrative expenses</b>		
<b>Staff Costs</b>		
Wages and salaries	1,048	8,398
Social security costs	5	643
Share based payment (credit)/charge	(209)	1,649
Resourcing charges from Macquarie Group undertakings	50	100
<b>Total staff costs</b>	<b>894</b>	<b>10,790</b>
Fee allocations to other Macquarie Group undertakings	46,633	50,315
Internal fee and management fee expenses	18,782	19,171
Brokerage expenses	23,733	34,445
Rent and occupancy (refund)/cost	(56)	527
Depreciation charges		
Owned assets	10	105
Leased assets	520	534
Service cost recharged from other Macquarie Group entities	12,571	14,649
Auditors' remuneration		
Fees payable to the Company's auditors for the audit of the Company <sup>1</sup>	192	275
Fees payable to the Company's auditors for other services <sup>2</sup>	123	101
Other administrative expenses	3,052	6,828
<b>Total administrative expenses</b>	<b>106,454</b>	<b>137,740</b>
<sup>1</sup> Fees payable to the Company's auditors for current financial year includes £29,000 relating to previous financial year.		
<sup>2</sup> Fees payable to the Company's auditors for current financial year includes £13,000 relating to previous financial year.		
<b>Interest</b>		
Interest receivable and similar income from: <sup>3</sup>		
Other Macquarie Group undertakings	345	828
Unrelated parties	13	2
<b>Total interest receivable and similar income</b>	<b>358</b>	<b>830</b>
<sup>3</sup> Includes interest income calculated using effective interest method of £317,000 (2021: £830,000) on the financial assets measured at amortised cost.		
Interest payable and similar expenses to: <sup>4</sup>		
Other Macquarie Group undertakings	1,004	1,615
Unrelated parties	300	482
<b>Total interest payable and similar expenses</b>	<b>1,304</b>	<b>2,097</b>
<sup>4</sup> Includes interest expense of £1,302,000 (2021: £2,080,000) on the financial liabilities measured at amortised cost.		

# Macquarie Capital (Europe) Limited

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

### Note 4. (Loss)/profit before taxation (continued)

	2022	2021
	£'000	£'000
<b>Other operating income</b>		
Foreign exchange losses	(131)	(1,598)
Credit impairment (charges)/reversal	(1,479)	577
Net gain on equity investment <sup>5</sup>	-	4,774
Other operating income <sup>6</sup>	768	11,665
<b>Total other operating income</b>	<b>(842)</b>	<b>15,418</b>

<sup>5</sup>Fair value gain and losses from the previous financial year equity financial investments that have been classified as FVTPL.

<sup>6</sup>Includes £696,000 current financial year gain recognised from the transfer of the representative office in Spain as well as a £11,600,000 previous financial year gain recognised from the transfer of the operations of the branches in Germany, Netherlands and France to MCF. Please refer to Note 30 *Discontinued operations* for further details.

### Note 5. Employee information

The average number of persons employed by the Company during the financial year calculated on a monthly basis was:

	No. of employees 2022	No. of employees 2021
<b>Corporate Operations Group</b>		
Advisory and Sales	-	1
Administration and support services	1	-
<b>Macquarie Capital:</b>		
Advisory and Sales	1	-
Administration and support services	3	24
<b>Risk Management Group:</b>		
Administration and support services	-	1
<b>Total employees</b>	<b>5</b>	<b>26</b>

### Note 6. Tax on (loss)/profit

	2022	2021
	£'000	£'000
<b>(i) Tax included in (loss)/profit</b>		
<b>Current tax</b>		
UK corporation tax at 19% (2021: 19%)	1,302	1,852
Adjustments in respect of prior financial years	(236)	(412)
Foreign tax suffered	(21)	(3,206)
<b>Total current tax</b>	<b>1,045</b>	<b>(1,766)</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(363)	(272)
Adjustments in respect of prior financial years	160	70
Effect of changes in tax rates	(40)	(69)
<b>Total deferred tax expense</b>	<b>(243)</b>	<b>(271)</b>
<b>Tax on (loss)/profit</b>	<b>802</b>	<b>(2,037)</b>

# Macquarie Capital (Europe) Limited

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

### Note 6. Tax on (loss)/profit (continued)

	2022	2021
	£'000	£'000
<b>(ii) Reconciliation of effective tax rate</b>		
The income tax credit for the period is lower (2021: higher) than the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:		
Loss before taxation <sup>1</sup>	2,908	5,444
Current tax charge at 19% (2021: 19%)	552	1,034
Effect of –		
Adjustment to tax charge in respect of prior financial years	(76)	(342)
Non deductible expenses	(48)	(37)
Foreign tax suffered	(21)	(3,206)
Deduction for foreign tax suffered	4	569
Bank surcharge	387	-
Non-assessable income	44	14
Effect of changes in tax rates	(40)	(69)
<b>Total tax on (loss)/profit</b>	<b>802</b>	<b>(2,037)</b>

The UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

The UK banking surcharge rate will be reduced from 8% to 3% for the financial year beginning 1 April 2023 on amounts excluding £100m.

### Note 7. Tangible assets

	As at 31 March 2022		
	Cost	Accumulated depreciation and impairment	Carrying value
	£'000	£'000	£'000
<b>Assets for own use</b>			
Furniture, fittings and leasehold improvements	385	(381)	4
Computer and communication equipment	3,394	(3,391)	3
<b>Total assets for own use</b>	<b>3,779</b>	<b>(3,772)</b>	<b>7</b>

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

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

Assets for own use	Furniture, fittings and leasehold improvements	Computer and communication equipment	Total
	£'000	£'000	£'000
Balance at 1 April 2021	9	6	15
Acquisitions	-	3	3
Transfers	-	(1)	(1)
Depreciation expense (Note 4)	(5)	(5)	(10)
<b>Balance as at 31 March 2022</b>	<b>4</b>	<b>3</b>	<b>7</b>

# Macquarie Capital (Europe) Limited

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

### Note 8. Cash at bank and in hand

	2022	2021
	£'000	£'000
Cash at bank and in hand	11,317	2,140
<b>Total cash at bank and in hand</b>	<b>11,317</b>	<b>2,140</b>

<sup>1</sup>Includes £10,000,000 held to comply with its Basic Liquid Asset Requirement under FCA regulatory liquidity requirements as of 1 January 2022.

### Note 9. Financial investments

	2022	2021
	£'000	£'000
Debt securities:		
Treasury bills	4,999	-
<b>Total Financial investments</b>	<b>4,999</b>	<b>-</b>

### Note 10. Debtors

	2022	2021
	£'000	£'000
Amounts owed by other Macquarie Group undertakings <sup>1</sup>	565,233	715,437
Brokerage trade debtors <sup>2</sup>	586,701	408,666
Reverse repurchase agreements <sup>3</sup>	35,011	78,751
Fees and other receivables <sup>4</sup>	15,081	21,863
Prepayments and accrued income	119	240
VAT recoverable	4,489	630
Income tax receivables	1,435	432
Other trade debtors	7,336	18,283
<b>Total debtors</b>	<b>1,215,405</b>	<b>1,244,302</b>

<sup>1</sup>Amounts owed by other Macquarie Group undertakings are unsecured and have no fixed date of repayment.

<sup>2</sup>Brokerage trade debtor balances are generally receivable within two working days of the relevant trade date.

<sup>3</sup>Represents reverse repurchase agreements with other Macquarie Group undertakings. The Company derives interest on these instruments at market rates. As at 31 March 2022 the rate applied was 0.31% with respect to sterling denominated instruments.

<sup>4</sup>Fees and other receivables include £1,210,000 (2021: £6,927,000) of contract assets and unbilled receivables.

At the reporting date, amounts owed by other Macquarie Group undertakings has an ECL allowance of £75,000 (2021: £103,000) which is net presented against the gross carrying amount.

### Note 11. Held for sale assets

	2022	2021
	£'000	£'000
Assets of disposal groups classified as held for sale <sup>1</sup>	1,621	2,264
<b>Total held for sale assets</b>	<b>1,621</b>	<b>2,264</b>

<sup>1</sup>Primarily represents lease assets associated with Macquarie Capital (Europe) Limited, Niederlassung Deutschland and Macquarie Capital (Europe) Limited, Amsterdam Branch. On 10 December 2020, the Company entered into a Business Transfer Agreement with MCF to transfer the existing operating leases. As of 31 March 2022, the assets have not been fully transferred and are subsequently disclosed as HFS assets on the balance sheet. Refer to Note 30 *Discontinued operations* for further details on the transfer.

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# Macquarie Capital (Europe) Limited

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

### Note 12. Expected credit losses

At the reporting date the Company has presented the ECL allowances in its balance sheet as follows:

- Assets measured at amortised cost: Deduction against the gross carrying amount.
- Debt investments measured at FVOCI: Included in OCI since the asset's carrying value is measured at fair value.

The Company models ECL for on-balance sheet assets measured at amortised cost or FVOCI such as loans and debt securities.

#### Model inputs

The Company split its credit portfolio among other related Macquarie Group entities and wholesale exposures.

The key model inputs used in measuring the ECL include:

- Exposure at default ("EAD"): The EAD represents the estimated exposure in the event of a default.
- Probability of default ("PD"): The calculation of PDs is generally performed at a facility level. Portfolio PDs are a function of industry type, internal credit ratings and transition matrices used to determine a point in time PD estimate. PD estimates for wholesale portfolios are also adjusted for Forward looking information ("FLI").
- Loss given default ("LGD"): The LGD associated with the PD used is the magnitude of the ECL in a default event. The LGD is estimated using historical loss rates considering relevant factors for individual exposures or portfolios.

#### Significant increase in credit risk ("SICR")

The Company periodically assesses exposures to determine whether there has been a SICR, which may be evidenced by either qualitative or quantitative factors. Qualitative factors include, but are not limited to, material change in internal credit rating, whether an exposure has been identified and placed on CreditWatch, an internal credit monitoring mechanism supervised by the credit watch management committee to closely monitor exposures showing signs of stress. All exposures on CreditWatch are classified as Stage 2 or, if defaulted, as Stage 3.

SICR thresholds, which require judgement, are used to determine whether an exposure's credit risk has increased significantly. The SICR methodology is based on a relative credit risk approach which considers changes in an underlying exposure's credit risk since origination. This may result in exposures being classified in Stage 2 that are of a higher credit quality than other similar exposures that are classified as Stage 1. Accordingly, while similar increase in the quantum of Stage 2 exposures will suggest a relative deterioration of credit quality, it should not necessarily be inferred that the assets are of a lower credit quality.

#### Wholesale exposures

The Company assigns an internal credit rating to each exposure at origination based on information available at that date. These internal ratings are broadly aligned to external credit rating agencies such as Standard & Poor's and Moody's.

Where an exposures' assigned credit rating deteriorates beyond pre-defined thresholds, the exposure is categorised as Stage 2. The methodology has been calibrated so that a larger change in rating is required for higher quality credit rated exposures than for lower quality credit rated exposures to be classified as Stage 2.

For wholesale portfolios, the IFRS 9 'low credit risk' exemption is not applied by the Company to material portfolios.

#### Definition of default

The Company's definition of default determines the reference point for the calculation of the ECL components, and in particular the PD. Default is generally defined as the point when the borrower is unlikely to pay its credit obligations in full, without recourse by the Company actions such as realisation of available security; or the borrower is 90 days or more past due on an obligation to the Company.

The Company periodically monitors its exposures for potential indicators of default such as significant financial difficulty of the borrower which includes breaches of lending covenants; it is probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties; or the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

# Macquarie Capital (Europe) Limited

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

### Note 12. Expected credit losses (continued)

#### Forward looking information

The inclusion of FLI in calculating ECL allowances adjusts the PD, the determination of SICR as well as the LGD (that is relevant to the determination of the recovery rates on collateral). The predicted relationships between various market indicators and the key model components (EAD, PD and LGD) in measuring the ECL have been developed by analysing historical data as part of the development of internal models, and validation process.

The Company applied its professional judgement in determining whether there are any inherent risks in the models' predictive outcomes. The overlays primarily reflect management's assessment of the current economic and credit environment relative to the FLI credit cycle model. These overlays account for the risk that underlying credit risk events have occurred but observable modelled inputs are yet to reflect those events, as well as risks that are specific to regions, counterparties or industries which are difficult to account for within the modelled outcomes. Over time the credit models are recalibrated to enhance the predictive capability. At the reporting date this overlay was approximately £nil (2021: £11,000). These judgements are reviewed by FMG and RMG at each reporting date.

RMG is responsible for the FLI including the development of scenarios recommending and the range of probability weights to apply to those scenarios. For this purpose, four possible economic scenarios have been developed, being an upside, downside, severe downside and baseline scenario. In calculating the ECL, each of the scenarios are probability weighted and then applied to the exposures' PDs and LGDs.

The below table presents the gross exposure and related ECL allowance for each class of assets subject to impairment requirements of IFRS 9<sup>1</sup> *Financial instruments*.

	As at 31 March 2022		As at 31 March 2021	
	Gross exposure <sup>1</sup>	ECL allowance	Gross exposure <sup>1</sup>	ECL allowance
	£'000	£'000	£'000	£'000
Fees receivable	16,621	1,540	21,896	33
Amounts owed by other Macquarie Group undertakings	565,308	75	715,540	103
<b>Total credit impaired assets</b>	<b>581,929</b>	<b>1,615</b>	<b>737,436</b>	<b>136</b>

<sup>1</sup>The gross exposure of assets measured at amortised cost represents the amortised cost before the ECL allowance and the gross exposure of financial assets measured at FVOCI represents amortised cost before fair value adjustments and ECL allowance. Accordingly, these exposures will not equal the amount as presented in the Balance Sheet.

The ECL provision held against the fees receivable was £1,540,000, of which £1,196,000 related to a single provision due to a counterparty experiencing significant financial difficulty. Whilst the ECL provision on fees receivable is relatively low in the context of the staging of the fees receivable, each individual exposure has had an ECL provision calculated for it based on internal historical default data. The overall provision is considered reasonable in the context of the short term nature of the fees receivable and the fact they are mostly due from investment grade counterparties.

The table below represents the reconciliation from the opening balance to the closing balance of ECL allowances.

	Amounts owed by other Macquarie Group		Total
	Fees receivable	undertakings	
	£'000	£'000	£'000
Balance as at 1 April 2020	622	95	717
Impairment reversal (Note 4)	(575)	(2)	(577)
Foreign exchange movement	(14)	10	(4)
<b>Balance as at 31 March 2021</b>	<b>33</b>	<b>103</b>	<b>136</b>
Impairment charge/(reversal) (Note 4)	1,507	(28)	1,479
<b>Balance as at 31 March 2022</b>	<b>1,540</b>	<b>75</b>	<b>1,615</b>

# Macquarie Capital (Europe) Limited

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

### Note 12. Expected credit losses (continued)

The table below represents the reconciliation from the opening balance to the closing balance of the ECL allowance on financial assets to which the impairment requirements under IFRS 9 are applied.

#### ECL on Financial assets

	Stage 1 12 month ECL £'000	Stage 2 Not Credit Impaired £'000	Stage 3 Credit Impaired £'000	Total ECL Allowance £'000
<b>Balance as at 1 April 2020</b>	<b>150</b>	<b>4</b>	<b>563</b>	<b>717</b>
Credit impairment (reversal)/charge	(25)	7	(563)	(581)
<b>Balance as at 31 March 2021</b>	<b>125</b>	<b>11</b>	<b>-</b>	<b>136</b>
Credit impairment (reversal)/charge	(38)	164	1,353	1,479
<b>Balance as at 31 March 2022</b>	<b>87</b>	<b>175</b>	<b>1,353</b>	<b>1,615</b>

The net movement during the current financial year in the Stage 3 ECL allowance for financial assets is attributable to fee receivable exposures being fully provided for as occurs in the normal course of business.

### Note 13. Deferred tax assets

	2022 £'000	2021 £'000
<b>The balance comprises temporary differences attributable to:</b>		
Fixed assets	782	901
Other assets and liabilities	122	223
<b>Net deferred tax assets</b>	<b>904</b>	<b>1,124</b>

#### Reconciliation of the Company's movement in deferred tax assets

Balance at the beginning of the financial year	1,124	1,343
Temporary differences:		
Deferred tax charged to profit and loss for the financial year	(331)	(260)
Effect of changes in tax rates	(73)	(102)
Deferred tax charged to equity	(9)	40
Change in tax relating to reserves	33	33
Adjustments in respect of prior financial years	160	70
<b>Balance at the end of the financial year</b>	<b>904</b>	<b>1,124</b>

### Note 14. Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Due to brokers and customers <sup>1</sup>	617,553	599,534
Amounts owed to other Macquarie Group undertakings <sup>2</sup>	416,567	408,634
Legal provision <sup>3</sup>	-	2,700
Other creditors	2,240	4,459
<b>Total creditors: amounts falling due within one year</b>	<b>1,036,360</b>	<b>1,015,327</b>

<sup>1</sup> Amounts due to brokers and customers are generally payable within two working days of the relevant trade date.

<sup>2</sup> Amounts owed to other Macquarie Group undertakings are unsecured and have no fixed date of repayment.

<sup>3</sup> Relates to a provision resolved in December 2021.

# Macquarie Capital (Europe) Limited

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

### Note 15. Held for sale liabilities

	2022	2021
	£'000	£'000
Liabilities of disposal groups classified as held for sale <sup>1</sup>	1,617	2,659
<b>Total held for sale liabilities</b>	<b>1,617</b>	<b>2,659</b>

<sup>1</sup>Primarily represents lease liabilities associated with Macquarie Capital (Europe) Limited, Niederlassung Deutschland and Macquarie Capital (Europe) Limited, Amsterdam Branch. On 10 December 2020, the Company entered into a Business Transfer Agreement with MCF to transfer the existing operating leases. As of 31 March 2022, the liabilities have not been fully transferred and are subsequently disclosed as HFS liabilities on the balance sheet. Refer to Note 30 *Discontinued operations* for further details on the transfer.

### Note 16. Creditors: amounts falling due after more than one year

	2022	2021
	£'000	£'000
Amounts owed to other Macquarie Group undertakings <sup>1</sup>	17,690	50,732
<b>Total creditors: amounts falling due after more than one year</b>	<b>17,690</b>	<b>50,732</b>

<sup>1</sup>Amount due to other Macquarie Group undertakings have a maturity date of 13 September 2023.

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

### Note 17. Provisions for liabilities

	2022	2021
	£'000	£'000
Provisions for liabilities <sup>1</sup>	677	-
Provisions for employee entitlements	170	1,801
<b>Total provisions for liabilities</b>	<b>847</b>	<b>1,801</b>

<sup>1</sup> £256,000 represents make good provisions associated with Macquarie Capital (Europe) Limited, Niederlassung Deutschland and Macquarie Capital (Europe) Limited, Amsterdam Branch whereas the Company is required to return the building to its original state after the lease contract ends.

Of the above amounts, £749,000 (2021: £1,293,000) is expected to be settled within 12 months of the reporting date by the Company.

#### Reconciliation of employee entitlement provisions:

Balance at the beginning of the financial year	1,801	3,688
Provisions made during the financial year	71	1,840
Provisions used during the financial year	(1,174)	(3,319)
Transfers to other Macquarie Group undertakings	(526)	(407)
Foreign exchange movements	(2)	(1)
<b>Balance at the end of the financial year</b>	<b>170</b>	<b>1,801</b>

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# Macquarie Capital (Europe) Limited

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

### Note 18. Pension commitments

For employees of the German branch and Switzerland representative office, the Company operates a defined benefit pension scheme with assets held in separately administered funds with Swiss Life. In 2010, the Company acquired an equity trading and derivatives business and assumed the assets and associated obligations of the defined benefit pension plan of the employees related to this business. The scheme is composed of four separate plans, with one plan for employees in Switzerland (G3153/1F9696) and three plans for former employees in Germany (AV Opp 2005, Def Comp, and VO 1995). The scheme provides disability and death benefits on the basis of members' salary.

Plan assets held in the funds are governed by local regulations and practice in Germany and Switzerland. Responsibility for the governance of the plans – including investment decisions and contribution schedules – lies jointly with the Company and the boards of directors of the funds.

The pension plan of the Swiss representative office is a contribution based plan with guarantee of a minimum interest credit and fixed conversion rates at retirement. Disability and death benefits are defined as a percentage of the insured salary.

The risks of the scheme are as follows:

- **Asset volatility:** The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit.
- **Changes in bond yields:** A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan's bond holdings.
- **Life expectancy:** The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities.
- **Inflation risk:** The pension obligations are linked to inflation, and higher inflation will lead to higher liabilities. The majority of the plan's assets are either unaffected by or loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

The scheme provides benefits under the LPP/BVG law, which stipulates the minimum requirement of the mandatory employer's sponsored pension plan in Switzerland. In particular, annual salary up to GBP 70,983 (CHF 86'040) (amount in 2021) must be insured, the financing is age-related with contribution rates in percent of pensionable salary increasing with age from 7% to 18%. The conversion rate to calculate the annuity based on the accrued savings capital is 6.8% at normal retirement age (65 for men and 64 for women).

The plan must be fully funded outlined under LPP/BVG law on a static basis at all times. In case of underfunding, recovery measures must be taken, such as additional financing from the employer or from the employer and employees, or reduction of benefits or a combination of both.

The company is affiliated to the collective foundation BVG-Sammelstiftung Swiss Life. The collective foundation is a separate legal entity. The foundation is responsible for the governance of the plan, the board is composed of an equal number of representatives from the employers and the employees chosen from all affiliated companies.

The foundation has set up investment guidelines, defining in particular the strategic allocation with margins.

Additionally, there is a pension committee composed of an equal number of representatives and employees from Macquarie Capital (Europe) Ltd., Geneva. The pension committee is responsible for the set-up of the plan benefits.

The pension plan is set up as a separate legal entity. The foundation is responsible for the governance of the plan, the board is composed of an equal number of representatives from the employer and the employees. The foundation has set up investment guidelines, defining in particular the strategic allocation with margins.

# Macquarie Capital (Europe) Limited

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

### Note 18. Pension commitments (continued)

Macquarie German branch has determined that it has an unconditional right to a refund of surplus assets if the plan is run off until the last member dies, on which basis IFRIC 14 does not cause any change in the balance sheet disclosure before tax. No allowance is made in the benefit obligation for discretionary benefits on the grounds that there is no constructive obligation to provide such benefits. Therefore any benefit increases that are awarded on a discretionary basis are accounted for as a past service cost. An estimate of the Pension Protection Fund levy accrued during the reporting period is included in the allowance for administration expenses.

The most recent actuarial valuation of the Company's defined benefit pension plan was at 31 March 2022. The valuation of the plan used the projected unit credit actuarial cost method and was carried out by actuaries of Mercer Limited. The principal assumptions for the plan made by the actuaries were as follows:

	Switzerland 2022 %	Switzerland 2021 %	Germany 2022 %	Germany 2021 %
Discount rates	1.23	0.38	2.09	1.40
Expected rate of return on assets	1.00	1.00	1.00	0.00
Inflation assumptions	0.70	0.70	1.00	1.00

The mortality assumptions used in the valuation of the defined benefit pension liabilities of the Swiss and German plans at 31 March 2022 are summarised in the table below. These are based on the BVG 2020 actuarial tables for the Swiss plan and the Heubeck RT 2018 G actuarial tables for the German plans.

	Switzerland 2022	Switzerland 2021	Germany 2022	Germany 2021
<b>Longevity at age 65 – current</b>				
Men	22.70	22.57	20.61	20.47
Women	24.48	24.37	24.04	23.92
<b>Longevity at age 65 – future</b>				
Men	24.97	24.86	23.36	23.23
Women	26.49	26.40	26.26	26.15

Due to the size of the pension plan, no single actuarial assumption noted above is considered material to the Company. Therefore, no sensitivity analysis has been performed.

Plan assets and rates of return were as follows:

	Long-term rate of return expected 31 March 2022 %	Value as at 31 March 2022 £'000	Long-term rate of return expected 31 March 2021 %	Value as at 31 March 2021 £'000
Cash	0.9	554	(0.3)	561
Equity	5.6	427	7.3	453
Debt Securities	1.4	1,266	1.4	1,127
<b>Total market value of assets</b>		<b>2,247</b>		<b>2,141</b>
Present value of plan liabilities		(3,276)		(3,589)
<b>Net deficit of the plan</b>		<b>(1,029)</b>		<b>(1,448)</b>
Deferred tax		7		79
<b>Net pension plan liability</b>		<b>(1,022)</b>		<b>(1,369)</b>

# Macquarie Capital (Europe) Limited

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

### Note 18. Pension commitments (continued)

	2022	2021
	£'000	£'000
<b>Reconciliation of present value of scheme liabilities:</b>		
<b>Balance at the beginning of the financial year</b>	<b>3,589</b>	<b>3,523</b>
Current service cost	71	36
Past service cost	(65)	-
Interest cost	37	50
Contributions by plan participants	24	25
Foreign currency exchange rate movements	67	(206)
Premiums paid	(15)	(14)
Benefits paid from the plan	(32)	(16)
Actuarial loss arising from changes in demographic assumptions	-	(40)
Actuarial (gain)/loss arising from changes in financial assumptions	(369)	229
Actuarial (gain)/loss arising from liability experience adjustments	(31)	2
<b>Balance at the end of the financial year</b>	<b>3,276</b>	<b>3,589</b>
<b>Reconciliation of fair value of scheme assets:</b>		
<b>Balance at the beginning of the financial year</b>	<b>2,141</b>	<b>2,137</b>
Expected return on scheme assets	20	29
Actuarial (losses)/gain	(38)	39
Foreign currency exchange rate movements	62	(132)
Premiums paid	(15)	(14)
Contributions paid by participants	24	25
Benefits paid from the plan	(32)	(16)
Contributions paid by the Company	85	73
<b>Balance at the end of the financial year</b>	<b>2,247</b>	<b>2,141</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets based on the current investment policy.

The actual return on the scheme assets in the financial year was a loss of £18,000 (2021: a gain of £68,000).

It is estimated that in the financial year to 31 March 2023, the Company will make additional contributions to the plan of £69,000.

	2022	2021
	£'000	£'000
<b>Amounts recognised in the profit and loss account are as follows:</b>		
Current service cost	71	36
Past service cost	(65)	-
Expected return on pension scheme assets	(20)	(29)
Interest on pension plan liabilities	37	50
<b>Total charge</b>	<b>23</b>	<b>57</b>
The current service cost is included within administration expenses category in the profit or loss statement.		
Experience adjustments in plan assets	(38)	39
Experience adjustments in plan liabilities	400	(191)
<b>Total actuarial gain/(loss) recognised in statement of comprehensive income</b>	<b>362</b>	<b>(152)</b>

# Macquarie Capital (Europe) Limited

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

### Note 19. Called up share capital and reserves

	2022 '000	2021 '000	2022 £'000	2021 £'000
<b>Called up share capital</b>				
Opening balance of fully paid ordinary shares at £1 per share	331,601	331,601	331,601	331,601
<b>Closing balance of fully paid ordinary shares at £1 per share</b>	<b>331,601</b>	<b>331,601</b>	<b>331,601</b>	<b>331,601</b>
<b>Share premium reserve</b>				
Opening balance of share premium reserve			4,999	4,999
<b>Closing balance of share premium reserve</b>			<b>4,999</b>	<b>4,999</b>

### Note 20. Contribution from ultimate parent entity in relation to share-based payments

	2022 £'000	2021 £'000
<b>Equity contribution from parent entity</b>		
Opening balance of equity contribution from parent entity	2,117	2,090
Equity contribution from ultimate parent entity as a result of deferred tax on share based payments	(12)	27
<b>Total equity contribution from parent entity</b>	<b>2,105</b>	<b>2,117</b>

### Note 21. Reserves and profit and loss account

	2022 £'000	2021 £'000
<b>Reserves</b>		
<b>Foreign currency translation reserve</b>		
Balance at the beginning of the financial year	(271)	732
Exchange differences on translation of foreign operations, net of tax	576	(1,003)
<b>Balance at the end of the financial year</b>	<b>305</b>	<b>(271)</b>
Exchange differences arising from the translation of the Company's foreign branches, which have functional currencies other than Pound Sterling, are recognised within reserves.		
<b>FVOCI reserve</b>		
Balance at the beginning of the financial year	(7)	(7)
Revaluation gains recognised in other comprehensive income	5	-
<b>Balance at the end of the financial year</b>	<b>(2)</b>	<b>(7)</b>
<b>Retirement benefit reserve</b>		
Balance at the beginning of the financial year	(229)	(156)
Actuarial gain/(loss) on pension schemes	362	(152)
Deferred tax associated with actuarial gain/(loss)	7	79
<b>Balance at the end of the financial year</b>	<b>140</b>	<b>(229)</b>
<b>Total reserves</b>	<b>443</b>	<b>(507)</b>
<b>Profit and loss account</b>		
Balance at the beginning of the financial year	(160,332)	(152,851)
Loss for the financial year	(2,106)	(7,481)
<b>Balance at the end of the financial year</b>	<b>(162,438)</b>	<b>(160,332)</b>
<b>Total profit and loss account</b>	<b>(162,438)</b>	<b>(160,332)</b>

# Macquarie Capital (Europe) Limited

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

### Note 22. Capital management strategy

The Company's capital management strategy is to maximise shareholder value through optimising the level and use of capital resources, whilst also providing the flexibility to take advantage of opportunities as they may arise.

The Company's capital management objectives are to:

- ensure sufficient capital resource to support the Company's business and operational requirements;
- maintain sufficient capital to exceed externally imposed capital requirements; and
- safeguard the Company's ability to continue as a going concern.

Periodic reviews of the entity's capital requirements are performed to ensure the Company is meeting its objectives. Capital is defined as share capital plus reserves, including profit and loss account.

The Company is authorised by the Financial Conduct Authority ("FCA") to undertake investment business activities. The Company has satisfied its FCA imposed capital requirements throughout the financial year. To the best of our knowledge at the time, during the current and prior financial years, the Company has continued to meet its capital requirements under the FCA requirements and no breaches have occurred. For further information related to capital management and FCA Pillar 3 disclosure requirements, refer to the documents made available on the Company's website which are unaudited and do not form part of this report.

### Note 23. 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 33 *Ultimate parent undertaking*.

The Master Loan Agreement (the "MLA") governs the funding arrangements between various subsidiaries and related body corporate entities which are under the common control of MGL and have acceded to the MLA. The Tripartite Outsourcing Major Services Agreement ("TOMSA") governs the provision of intra-group services between subsidiaries and related body corporate entities other than certain excluded entities.

Relationships with an entity which is not a party to the MLA have been presented on a gross basis.

All transactions with related entities were made on normal commercial terms and conditions and at market rates except where indicated.

#### Related entities

Transactions between the Company with related entities principally arise from the provision of corporate advisory services.

Details of transactions from related party undertakings are as below:

31 March 2022

Nature of Related party	Corporate	Expenses	Expenses	Receivable as at 31 March
	advisory	invoiced to	to be	
	fees	client	charged to	2022 <sup>1</sup>
	£'000	£'000	client	£'000
Associates and joint ventures of the Macquarie Group	11,009	-	-	2,703

<sup>1</sup>Receivables are disclosed net of ECL allowance. The Company has incurred £1,196,000 of ECL expenses which is included in net impairment losses on financial assets in the profit and loss account.

# Macquarie Capital (Europe) Limited

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

### Note 23. Related party information (continued)

31 March 2021

Nature of Related party	Corporate	Expenses	Expenses	Receivable as at 31 March
	advisory	invoiced to	to be	
	fees	client	charged to	2021
	£'000	£'000	client	£'000
Associates and joint ventures of the Macquarie Group	9,789	2	-	5,307

### Note 24. Directors' remuneration

Independent Non-Executive Directors' emoluments paid by the Company for the financial year ended 31 March 2022 were £220,000 (2021: £204,600).

During the financial years ended 31 March 2022 and 31 March 2021, all Directors, apart from the Independent Non-Executive 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 of these duties would not be meaningful. Accordingly, no separate remuneration has been disclosed apart from where stated above.

### Note 25. Employee equity participation

#### Macquarie Group Employee Retained Equity Plan ("MEREP")

The Company participates in its ultimate parent company's, MGL, share based compensation plans, being the MEREP. In terms of this plan, awards are granted by MGL to qualifying employees for delivery of MGL shares.

#### Award Types under the MEREP

##### Restricted Share Units ("RSUs")

An RSU is a beneficial interest in a MGL ordinary share held on behalf of a MEREP participant by the plan trustee ("Trustee"). The participant is entitled to receive dividends on the share and direct the Trustee how to exercise voting rights of the share. The participant also has the right to request the release of the share from the MEREP Trust, subject to the vesting and forfeiture provisions of the MEREP.

	Number of RSU Awards	
	2022	2021
RSUs on issue at the beginning of the financial year	679	15,122
Vested RSUs withdrawn or sold from the MEREP during the financial year	(327)	(1,679)
Net transfers to related body corporate entities	(211)	(12,764)
RSUs on issue at the end of the financial year	141	679
RSUs vested and not withdrawn from the MEREP at the end of the financial year	-	-

There are no RSUs granted in current as well as in previous financial year.

##### Deferred Share Units ("DSUs")

A DSU represents the right to receive on exercise of the DSU either an MGL share held in the Trust or a newly issued MGL share (as determined by MGL in its absolute discretion) for no cash payment, subject to the vesting and forfeiture provisions of the MEREP. A MEREP participant holding a DSU has no right or interest in any share until the DSU is exercised. MGL may issue shares to the Trustee or direct the Trustee to acquire shares on-market, or via a share acquisition arrangement for potential future allocations to holders of DSUs.

# Macquarie Capital (Europe) Limited

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

### Note 25. Employee equity participation (continued)

#### Award Types under the MEREP (continued)

##### Deferred Share Units ("DSUs") (continued)

Generally, where permitted by law, DSUs will provide for cash payments in lieu of dividends paid on MGL ordinary shares before the DSU is exercised. Further, the number of shares underlying a DSU will be adjusted upon any bonus issue or other capital reconstruction of MGL in accordance with the ASX Listing Rules, so that the holder of a DSU does not receive a benefit that holders of the MGL's shares do not generally receive. These provisions are intended to provide the holders of DSUs, as far as possible, with the same benefits and risks as holders of RSUs. However, holders of DSUs will have no voting rights with respect to any underlying MGL ordinary shares.

DSUs will only be offered in jurisdictions where legal or tax rules make the grant of RSUs impractical. DSUs have been granted with an expiry period of up to nine years.

	Number of DSU Awards	
	2022	2021
DSUs on issue at the beginning of the financial year	3,992	24,624
Granted during the financial year	-	34,316
Forfeited during the financial year	-	(362)
Exercised during the financial year	-	(8,604)
Net transfers to related body corporate entities	(3,625)	(45,982)
DSUs on issue at the end of the financial year	367	3,992
<b>DSUs exercisable at the end of the financial year</b>	-	-

The weighted average fair value of the DSU awards granted during the financial year was £nil (2021: £66).

Participation in the MEREP is currently provided to the following Eligible Employees:

- Staff other than Executive Directors with retained profit share above a threshold amount ("Retained Profit Share Awards") and staff who were promoted to Associate Director, Division Director or Executive Director, who received a fixed Australian dollar value allocation of MEREP awards ("Promotion Awards")
- New Macquarie staff who commence at Associate Director, Division Director or Executive Director level and are awarded a fixed Australian dollar value, depending on level ("New Hire Awards")
- In limited circumstances, Macquarie staff may receive an equity grant instead of a remuneration or consideration payment in cash. Current examples include individuals who become employees of MGL upon the acquisition of their employer by a Macquarie Bank entity or who receive an additional award at the time of joining Macquarie (also referred to above as New Hire Awards).

Vesting periods are as follows:

Award type	Level	Vesting
Retained Profit Share Awards and Promotion Awards	Below Executive Director	1/3rd in the 2nd, 3rd and 4th year following the year of grant <sup>1</sup>
New Hire Awards	All Director-level staff	1/3rd on each first day of a staff trading window on or after the 2nd, 3rd and 4th anniversaries of the date of allocation

<sup>1</sup> Vesting will occur during an eligible staff trading window.

In limited cases, the application form for awards may set out a different vesting period, in which case that period will be the vesting period for the award. For example, staff in jurisdictions outside Australia may have a different vesting period due to local regulatory requirements.

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# Macquarie Capital (Europe) Limited

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

### Note 25. Employee equity participation (continued)

#### Assumptions used to determine fair value of MEREP awards

RSUs and DSUs are measured at their grant dates based on their fair value<sup>1</sup>. This amount is recognised as an expense evenly over the respective vesting periods.

While RSUs and DSUs for FY2022 performance will be granted during FY2023, the Company begins recognising an expense for these awards (based on an initial estimate) from 1 April 2021 related to these future grants. The expense is estimated using the estimated MEREP retention for FY2022 and applying the amortisation profile to the retained amount.

In the following financial year, the Company will adjust the accumulated expense recognised for the final determination of fair value for each RSU and DSU when granted and will use this valuation for recognising the expense over the remaining vesting period.

MGL annually revises its estimates of the number of awards (including those delivered through MEREP) that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the employment expenses in the profit and loss account, with a corresponding adjustment to equity (for equity settled awards), or a corresponding adjustment to liabilities (for cash settled awards).

For the financial year ended 31 March 2022, compensation expense relating to the MEREP totalled £(209,000) (2021: £1,649,000).

<sup>1</sup>For employees categorised as Material Risk Takers who are required to comply with the European Banking Authority Guidelines on the CRD IV remuneration requirements, the fair value of the awards granted for performance periods after 1 April 2019 has been adjusted to take into account the prohibition of dividends on unvested awards.

### Note 26. Contingent liabilities and commitments

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

### Note 27. Financial risk management

#### Risk Management Group ("RMG")

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

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

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

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

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

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# Macquarie Capital (Europe) Limited

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

### Note 27. Financial risk management (continued)

#### 27.1 Credit risk

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

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

#### Credit assessment and approval

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

After this analysis is undertaken, limits are set for an acceptable level of potential exposure. All wholesale limits and ratings are reviewed at least once a financial year or more frequently if required.

All credit exposures are monitored regularly against limits. Credit exposures for loan assets are reported at amortised cost or fair value. To mitigate credit risk, where appropriate, the Company makes use of margining and other forms of collateral or credit enhancement techniques.

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

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

#### Ratings and reviews

Refer to Note 12 *Expected credit losses* for details regarding the manner in which the Company has adopted and applied IFRS 9's expected credit loss impairment requirements.

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

#### Wholesale rating

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

Credit Grading	Internal Rating	External Equivalent
Investment Grade	MQ1 to MQ8	AAA to BBB-
Non Investment	MQ9 to MQ16	BB+ to C
Default	MQ99	Default

#### Due from related parties

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

# Macquarie Capital (Europe) Limited

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

### Note 27. Financial risk management (continued)

#### 27.1 Credit risk (continued)

##### Portfolio and country risk

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

##### Credit quality of financial assets

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

	As at 31 March 2022			
	Stage 1 <sup>2</sup>	Stage 2 <sup>2</sup>	Stage 3 <sup>2</sup>	Total
	£'000	£'000	£'000	£'000
<b>Investment Grade</b>				
Cash and bank balances	11,317	-	-	11,317
Financial investments	4,999	-	-	4,999
Amounts owed by other Macquarie group undertakings	565,308	-	-	565,308
Reverse repurchase agreements	35,011	-	-	35,011
Fees and other receivables	11,486	1,307	1,807	14,600
Brokerage and other trade debtors	433,260	-	-	433,260
Other trade debtors	18,436	-	-	18,436
<b>Total investment grade</b>	<b>1,079,817</b>	<b>1,307</b>	<b>1,807</b>	<b>1,082,931</b>
<b>Non-investment grade</b>				
Fee receivable	48	-	158	206
Brokerage and other trade debtors	153,441	-	-	153,441
Other trade debtors	(11,148)	-	-	(11,148)
<b>Total non-investment grade</b>	<b>142,341</b>	<b>-</b>	<b>158</b>	<b>142,499</b>
<b>Default</b>				
Fees and other receivables	-	-	1,196	1,196
<b>Total default</b>	<b>-</b>	<b>-</b>	<b>1,196</b>	<b>1,196</b>
<b>Total gross credit risk by ECL stage</b>				
Cash and bank balances	11,317	-	-	11,317
Financial investments	4,999	-	-	4,999
Amounts owed by other Macquarie group undertakings	565,308	-	-	565,308
Reverse repurchase agreements	35,011	-	-	35,011
Fees and other receivables	11,534	1,307	3,161	16,002
Brokerage and other trade debtors	586,701	-	-	586,701
Other trade debtors	7,288	-	-	7,288
<b>Total gross credit risk by ECL stage<sup>2</sup></b>	<b>1,222,158</b>	<b>1,307</b>	<b>3,161</b>	<b>1,226,626</b>

<sup>1</sup>The gross exposure of financial assets measured at amortised cost represents the amortised cost before ECL allowance and the gross exposure of financial assets measured at FVOCI represents carrying value before fair value adjustments and ECL allowance. Accordingly, these exposure will not be equal to the amount as presented in the Balance sheet.

<sup>2</sup>For definition of Stage 1, 2, 3 refer Note 3 (xiii) *Impairment*. Whilst exposures may have migrated to Stage 2 it should not be inferred that such exposures are of a lower credit quality. The ECL for the Stage 3 assets includes the benefit of collateral and other credit enhancements.

# Macquarie Capital (Europe) Limited

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

### Note 27. Financial risk management (continued)

#### 27.1 Credit risk (continued)

##### Credit quality of financial assets (continued)

	As at 31 March 2021			
	Stage 1 <sup>2</sup>	Stage 2 <sup>2</sup>	Stage 3 <sup>2</sup>	Total
	£'000	£'000	£'000	£'000
<b>Investment Grade</b>				
Cash and bank balances	2,140	-	-	2,140
Amounts owed by other Macquarie group undertakings	712,435	-	-	712,435
Reverse repurchase agreements	78,751	-	-	78,751
Fees and other receivables	13,130	-	-	13,130
Brokerage and other trade debtors	371,110	-	-	371,110
<b>Total investment grade</b>	<b>1,177,566</b>	<b>-</b>	<b>-</b>	<b>1,177,566</b>
<b>Non-investment grade</b>				
Amounts owed by other Macquarie group undertakings	3,105	-	-	3,105
Fee receivable	2,728	363	-	3,091
Brokerage and other trade debtors	55,645	-	-	55,645
<b>Total non-investment grade</b>	<b>61,478</b>	<b>363</b>	<b>-</b>	<b>61,841</b>
<b>Default</b>				
Fees and other receivables	4,577	-	-	4,577
Brokerage and other trade debtors	33	-	-	33
<b>Total default</b>	<b>4,610</b>	<b>-</b>	<b>-</b>	<b>4,610</b>
<b>Total gross credit risk by ECL stage</b>				
Cash and bank balances	2,140	-	-	2,140
Amounts owed by other Macquarie group undertakings	715,540	-	-	715,540
Reverse repurchase agreements	78,751	-	-	78,751
Fees and other receivables	20,435	363	-	20,798
Brokerage and other trade debtors	426,788	-	-	426,788
<b>Total gross credit risk by ECL stage<sup>2</sup></b>	<b>1,243,654</b>	<b>363</b>	<b>-</b>	<b>1,244,017</b>

<sup>1</sup>The gross exposure of financial assets measured at amortised cost represents the amortised cost before ECL allowance and the gross exposure of financial assets measured at FVOCI represents carrying value before fair value adjustments and ECL allowance. Accordingly, these exposure will not be equal to the amount as presented in the Balance sheet.

<sup>2</sup>For definition of Stage 1, 2, 3 refer Note 3 (xiii) *Impairment*. Whilst exposures may have migrated to Stage 2 it should not be inferred that such exposures are of a lower credit quality. The ECL for the Stage 3 assets includes the benefit of collateral and other credit enhancements.

#### Maximum exposure to credit risk

For on-balance sheet instruments, the maximum exposure to credit risk is the carrying amount reported on the balance sheet (refer to Note 28 *Measurement categories of financial instruments*).

# Macquarie Capital (Europe) Limited

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

### Note 27. Financial risk management (continued)

#### 27.1 Credit risk (continued)

##### Credit risk concentration

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

As at 31 March 2022	Cash at Bank and in hand £'000	Financial investments £'000	Brokerage trade debtors £'000	Amounts owed by other Macquarie Group undertakings £'000	Reverse Repurchase Agreements £'000	Fees and other receivables £'000	Other trade debtors £'000	Total £'000
<b>Australia</b>								
Financial institutions	-	-	113,086	418,081	35,011	-	3	566,181
Other	-	-	72,904	-	-	16	(62,927)	9,993
<b>Total Australia</b>	-	-	<b>185,990</b>	<b>418,081</b>	<b>35,011</b>	<b>16</b>	<b>(62,924)</b>	<b>576,174</b>
<b>Americas</b>								
Financial institutions	-	-	2,212	9,603	-	-	-	11,815
<b>Total Americas</b>	-	-	<b>2,212</b>	<b>9,603</b>	-	-	-	<b>11,815</b>
<b>Asia Pacific</b>								
Financial institutions	10,003	-	-	12,902	-	-	-	22,905
<b>Total Asia Pacific</b>	<b>10,003</b>	-	-	<b>12,902</b>	-	-	-	<b>22,905</b>
<b>Europe, Middle East &amp; Africa</b>								
Government and public authorities	-	4,999	1,094	-	-	-	-	6,093
Financial institutions	1,314	-	396,685	124,371	-	1,240	70,094	593,704
Other	-	-	720	351	-	14,746	118	15,935
<b>Total Europe, Middle East &amp; Africa</b>	<b>1,314</b>	<b>4,999</b>	<b>398,499</b>	<b>124,722</b>	-	<b>15,986</b>	<b>70,212</b>	<b>615,732</b>
<b>Total gross credit risk<sup>1</sup></b>	<b>11,317</b>	<b>4,999</b>	<b>586,701</b>	<b>565,308</b>	<b>35,011</b>	<b>16,002</b>	<b>7,288</b>	<b>1,226,626</b>

<sup>1</sup>This balance excludes non-financial assets totalling £6,710,000 which are included in Note 10 *Debtors*.

# Macquarie Capital (Europe) Limited

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

### Note 27. Financial risk management (continued)

#### 27.1 Credit risk (continued)

##### Credit risk concentration (continued)

As at 31 March 2021	Cash at Bank and in hand £'000	Brokerage trade debtors £'000	Amounts owed by other Macquarie Group undertakings £'000	Reverse Repurchase Agreements £'000	Fees and other receivables £'000	Other trade debtors £'000	Total £'000
<b>Australia</b>							
Financial institutions	-	93,835	569,939	78,751	-	-	742,525
Other	-	3	-	-	16	(6,018)	(5,999)
<b>Total Australia</b>	<b>-</b>	<b>93,838</b>	<b>569,939</b>	<b>78,751</b>	<b>16</b>	<b>(6,018)</b>	<b>736,526</b>
<b>Americas</b>							
Financial institutions	-	715	3,267	-	1,595	-	5,577
Other	-	-	2	-	-	-	2
<b>Total Americas</b>	<b>-</b>	<b>715</b>	<b>3,269</b>	<b>-</b>	<b>1,595</b>	<b>-</b>	<b>5,579</b>
<b>Asia Pacific</b>							
Financial institutions	-	-	17,723	-	-	-	17,723
<b>Total Asia Pacific</b>	<b>-</b>	<b>-</b>	<b>17,723</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,723</b>
<b>Europe, Middle East &amp; Africa</b>							
Government and public authorities	-	657	-	-	85	-	742
Financial institutions	2,140	313,438	123,574	-	12,909	24,122	476,183
Other	-	18	1,035	-	6,193	18	7,264
<b>Total Europe, Middle East &amp; Africa</b>	<b>2,140</b>	<b>314,113</b>	<b>124,609</b>	<b>-</b>	<b>19,187</b>	<b>24,140</b>	<b>484,189</b>
<b>Total gross credit risk<sup>1</sup></b>	<b>2,140</b>	<b>408,666</b>	<b>715,540</b>	<b>78,751</b>	<b>20,798</b>	<b>18,122</b>	<b>1,244,017</b>

<sup>1</sup>This balance excludes non-financial assets totalling £2,561,000 which are included in Note 10 *Debtors*.

#### Collateral and credit enhancements held

##### Cash collateralised lending and reverse repurchase agreements

The Company enters into reverse repurchase transactions with counterparties which require lodgement of collateral. These arrangements include reverse repurchase agreements (collateralised financing arrangements), for which the fair value of the securities and commodities received as collateral is generally in excess of the principal amount.

The non-cash collateral received is not recognised by the Company on the balance sheet, as the risks and rewards of ownership remain with the counterparty. The Company is permitted to sell or re-pledge the securities and commodities received. In the absence of default by the counterparty, the Company has an obligation to return the non-cash collateral received to the counterparty.

The fair value of non-cash collateral held not recognised on the balance sheet as at 31 March 2022 is £44,881,000 (2021: £78,295,000). The Company is permitted to sell or re-pledge the entire value of securities received, of which the fair value of collateral sold or re-pledged is £nil (2021: £nil). The value attributed to collateral held is judgmental and is general subject to valuation movements. Macquarie may also incur additional selling costs when a defaulted position is closed out.

# Macquarie Capital (Europe) Limited

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

### Note 27. Financial risk management (continued)

#### 27.1 Credit risk (continued)

##### Collateral and credit enhancements held (continued)

##### Cash collateralised lending and reverse repurchase agreements (continued)

The fair value attributed to non-cash collateral held is judgemental and measured with reference to quoted prices in active markets where available (for example listed securities). If quoted prices in active markets are not available, the fair value are estimated using pricing models or other recognised valuation.

The factors taken into consideration by the Company when determining an asset is impaired are set out in Note 3(xiii) *Impairment*.

#### Ageing analysis of assets

As at 31 March 2022

	Less than 30 days	31 to 60 days	61 to 90 days	More than 90 days	Default	Total
Class of Financial Asset	£'000	£'000	£'000	£'000	£'000	£'000
Fees and other receivables	12,153	381	926	1,965	1,196	16,621
<b>Total</b>	<b>12,153</b>	<b>381</b>	<b>926</b>	<b>1,965</b>	<b>1,196</b>	<b>16,621</b>

As at 31 March 2021

	Less than 30 days	31 to 60 days	61 to 90 days	More than 90 days	Default	Total
Class of Financial Asset	£'000	£'000	£'000	£'000	£'000	£'000
Fees and other receivables	-	-	397	795	-	1,192
<b>Total</b>	<b>-</b>	<b>-</b>	<b>397</b>	<b>795</b>	<b>-</b>	<b>1,192</b>

A facility is considered to be past due when a contractual payment falls overdue by one or more days. When a facility is classified as past due, the entire facility balance after provisions is disclosed in the past due analysis.

#### 27.2 Liquidity risk

##### Governance and oversight

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

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

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

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

Liquidity risk is managed at the entity level for the Company. The Company has a liquidity risk management framework consisting of regulatory and internal processes and controls allowing it to measure, monitor and manage liquidity risk. The framework is also designed to ensure the entity complies with the guidelines set by the regulator and meets the internal, Board-approved, liquidity risk appetite. This framework is articulated in the relevant policies and supporting documentation.

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# Macquarie Capital (Europe) Limited

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

### Note 27. Financial risk management (continued)

#### 27.2 Liquidity risk (continued)

##### Governance and oversight (continued)

On 1 January 2022, a number of FCA prudential rulebooks including BIPRU12 (liquidity) which the Company was previously subject to, was replaced by UK Investment Firms Prudential Regime ("IFPR") through a new single prudential sourcebook, MIFIDPRU. The Company is under the scope of MIFIDPRU and must meet the Basic Liquid Asset Requirement ("BLAR") in the form of core liquid assets. The Company is required to produce an Internal Capital and Risk Assessment ("ICARA"), at least on an annual basis, which replaces the ICAAP and Individual Liquidity Adequacy Assessment ("ILAA") requirements. The ICARA includes an assessment of liquidity risk and liquidity adequacy (in determining the Company's Liquid Asset Threshold Requirement ("LATR")), and also includes an assessment of Capital, Wind-down and Recovery Planning. The ICARA is to be approved by the Board, at least on an annual basis.

Liquidity risks are identified through on-going liquidity management and monitoring, which contribute to the development of the liquidity risk management framework. All key liquidity risks in the Company are assessed as part of the ICARA process, and on-going business consultation and changes in business strategy. The key sources of liquidity risk are assessed under the framework of MIFIDPRU, and embedded as part of the liquidity stress testing process, ensuring the entity's liquidity risk appetite statement is adhered to. The liquidity risk appetite statement is an articulation of the nature and level of liquidity risk that is acceptable in the context of achieving the Company's strategic objectives.

The liquidity risk appetite statement is an articulation of the nature and level of liquidity risk that is acceptable in the context of achieving each entities' strategic objectives. The risk appetite is supported by a series of risk tolerances which provide a quantitative measure of the acceptable level of risk.

The quantification of liquidity risks is therefore outlined in the below mentioned liquidity risk appetite metrics:

- (1) Internal Risk Appetite Scenario.
- (2) LAB Requirement.
- (3) Cash Requirement.

These risk appetite metrics are further supported by a number of liquidity risk tolerances. The metrics and tolerances are also outlined in the Escalation and Triggers Framework ("ETF") for each entity which are monitored by Group Treasury. The reporting of the metrics and tolerances are performed by Finance or/and Group Treasury.

The Company also has in place Liquidity Early Warning Indicators ("LEWIs") which provide an early warning view of impending liquidity risks to the entity. The monitoring and escalation of these indicators are completed as part of the business as usual ("BAU") processes and also form part of the ETFs.

Based on the conclusions of the ILAA process for the Company, compliance with the FCA Overall Liquidity Adequacy Rule ("OLAR") is determined. The ILAA is prepared by Group Treasury in conjunction with Finance, various RMG teams and business unit contacts. The second line challenge is provided by RMG Treasury Risk Management ("TRM"). The ILAA is reviewed, challenged and approved by the Board of the Company on an annual basis and subsequently submitted to the FCA.

# Macquarie Capital (Europe) Limited

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

### Note 27. Financial risk management (continued)

#### 27.2 Liquidity risk (continued)

##### Contractual undiscounted cash flows

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

	On demand	0 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
As at 31 March 2022	£'000	£'000	£'000	£'000	£'000	£'000
Due to brokers and customers	2,443	615,110	-	-	-	617,553
Amounts owed to other Macquarie						
Group undertakings	416,567	-	-	17,690	-	434,257
Lease Liabilities <sup>1</sup>	-	90	1,527	-	-	1,617
Other creditors <sup>2</sup>	-	1,194	-	-	-	1,194
<b>Total undiscounted cash flows</b>	<b>419,010</b>	<b>616,394</b>	<b>1,527</b>	<b>17,690</b>	<b>-</b>	<b>1,054,621</b>

<sup>1</sup>Represent lease liabilities classified as HFS liabilities on the balance sheet. Refer to Note 30 *Discontinued operations* for further details on the transfer.

<sup>2</sup>Excludes items that are not financial instruments and non-contractual accruals and provisions.

	On demand	0 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
As at 31 March 2021	£'000	£'000	£'000	£'000	£'000	£'000
Due to brokers and customers	4,723	594,811	-	-	-	599,534
Amounts owed to other Macquarie						
Group undertakings	408,634	-	-	50,732	-	459,366
Lease Liabilities <sup>1</sup>	-	87	409	1,863	-	2,359
Other creditors <sup>2</sup>	280	1,313	-	-	-	1,593
<b>Total undiscounted cash flows</b>	<b>413,637</b>	<b>596,211</b>	<b>409</b>	<b>52,595</b>	<b>-</b>	<b>1,062,852</b>

<sup>1</sup>Represent lease liabilities classified as HFS liabilities on the balance sheet. Refer to Note 30 *Discontinued operations* for further details on the transfer.

<sup>2</sup>Excludes items that are not financial instruments and non-contractual accruals and provisions.

#### 27.3 Market risk

##### Market Risk

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

- **Price:** The risk of loss due to changes in price of a risk factor (Interest rates, foreign exchange, etc.)
- **Volatility:** The risk of loss due to changes in the volatility of a risk factor
- **Correlation:** Risk that the actual correlation between two assets or variables is different from the assumed correlation
- **Concentration:** Risk of over concentration of trading exposures in certain markets and products

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

# Macquarie Capital (Europe) Limited

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

### Note 27. Financial risk management (continued)

#### 27.3 Market risk (continued)

##### Interest rate risk

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

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

	Movement in basis points	2022 Sensitivity of profit before tax £'000	2021 Sensitivity of profit before tax £'000
Australian Dollar	+50	(3)	(18)
Great British Pound	+50	208	729
Euro	+50	2	7
Swiss Franc	+50	0	2
United States Dollar	+50	(2)	11
Other currencies	+50	5	2
Australian Dollar	-50	3	18
Great British Pound	-50	(208)	(729)
Euro	-50	(2)	(7)
Swiss Franc	-50	(0)	(2)
United States Dollar	-50	2	(11)
Other	-50	(5)	(2)

##### Foreign currency risk

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

The table below indicates the sensitivity to movements in the Pound Sterling rate against various foreign currencies as at 31 March. The Company is active in various currencies, those with the most impact on the sensitivity analysis are the Australian Dollar, Euro and United States Dollar as shown below.

	Movement in exchange rates %	2022 Sensitivity of equity after tax £'000	Movement in exchange rates %	2021 Sensitivity of equity after tax £'000
Australian Dollar	+10	(373)	+10	(76)
Euro	+10	112	+10	(112)
United States Dollar	+10	4	+10	(1)
Other	+10	682	+10	(23)
<b>Total</b>		<b>425</b>		<b>(212)</b>
Australian Dollar	-10	373	-10	76
Euro	-10	(112)	-10	112
United States Dollar	-10	(4)	-10	1
Other	-10	(682)	-10	23
<b>Total</b>		<b>(425)</b>		<b>212</b>

# Macquarie Capital (Europe) Limited

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

### Note 28. Measurement categories of financial instruments

The following table contains information relating to the measurement categories of assets and liabilities of the Company. The descriptions of measurement categories are included in Note 3(iv) *Financial instruments*. The methods and significant assumptions that have been applied in determining the fair values of assets and liabilities are disclosed in Note 29 *Fair value of assets and liabilities*.

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

	<b>Financial Instruments</b>			
	<b>Carried at fair value</b>			
<b>As at 31 March 2022</b>	<b>FVOCI</b>	<b>Amortised</b>	<b>Non-financial</b>	<b>Total</b>
	<b>£'000</b>	<b>cost</b>	<b>instruments</b>	<b>£'000</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Fixed assets</b>				
Tangible assets	-	-	7	7
<b>Current assets</b>				
Cash at bank and in hand	-	11,317	-	11,317
Financial investments	4,999	-	-	4,999
Debtors	35,011	1,173,722	6,672	1,215,405
Held for sale assets	-	-	1,621	1,621
Deferred tax assets	-	-	904	904
<b>Total assets</b>	<b>40,010</b>	<b>1,185,039</b>	<b>9,204</b>	<b>1,234,253</b>
<b>Current liabilities</b>				
Creditors: amounts falling due within one year	-	(1,035,314)	(1,046)	(1,036,360)
Held for sale liabilities	-	-	(1,617)	(1,617)
<b>Total current liabilities</b>	<b>-</b>	<b>(1,035,314)</b>	<b>(2,663)</b>	<b>(1,037,977)</b>
<b>Other liabilities</b>				
Creditors: amounts falling due after more than one year	-	(17,690)	-	(17,690)
Provisions for liabilities	-	-	(847)	(847)
Pension liability	-	-	(1,029)	(1,029)
<b>Total other liabilities</b>	<b>-</b>	<b>(17,690)</b>	<b>(1,876)</b>	<b>(19,566)</b>

# Macquarie Capital (Europe) Limited

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

### Note 28. Measurement categories of financial instruments (continued)

The following table summarises the categories of financial instruments under IFRS 9:

	Financial Instruments			Total
	Carried at fair value			
As at 31 March 2021	FVOCI	Amortised cost	Non-financial instruments	
	£'000	£'000	£'000	£'000
<b>Fixed assets</b>				
Tangible assets	-	-	15	15
<b>Current assets</b>				
Cash at bank and in hand	-	2,140	-	2,140
Debtors	-	1,163,017	2,534	1,165,551
Held for sale assets	-	-	2,264	2,264
Deferred tax assets	-	-	1,124	1,124
Reverse repurchase agreements	78,751	-	-	78,751
<b>Total assets</b>	<b>78,751</b>	<b>1,165,157</b>	<b>5,937</b>	<b>1,249,845</b>
<b>Current liabilities</b>				
Creditors: amounts falling due within one year	-	(1,009,759)	(5,568)	(1,015,327)
Held for sale liabilities	-	-	(2,659)	(2,659)
<b>Total current liabilities</b>	<b>-</b>	<b>(1,009,759)</b>	<b>(8,227)</b>	<b>(1,017,986)</b>
<b>Other liabilities</b>				
Creditors: amounts falling due after more than one year	-	(50,732)	-	(50,732)
Provisions for liabilities	-	-	(1,801)	(1,801)
Pension liability	-	-	(1,448)	(1,448)
<b>Total other liabilities</b>	<b>-</b>	<b>(50,732)</b>	<b>(3,249)</b>	<b>(53,981)</b>

### Note 29. Fair values of assets and liabilities

Fair value reflects the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Quoted prices or rates are used to determine fair value where an active market exists. If the market for a financial instrument is not active, fair values are estimated using present value or other valuation techniques, using inputs based on market conditions prevailing on the measurement date.

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

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

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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# Macquarie Capital (Europe) Limited

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

### Note 29. Fair values of assets and liabilities (continued)

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

The fair values calculated for financial instruments which are carried in the balance sheet at amortised cost (as disclosed in Note 28 *Measurement categories of financial instruments*) are for disclosure purposes only. The following methods and assumptions applied to derive these fair values can require significant judgement by management and therefore may not necessarily be comparable to other financial institutions nor may it be the price at which the asset is sold or a liability repurchased in a market-based transaction:

- the fair values of liquid assets and other instruments maturing within three months are approximate to their carrying amounts. This assumption is applied to liquid assets and the short-term portion of all other financial assets and financial liabilities
- the fair value of financial instruments with variable rate, including cash collateral on lending and borrowing, repurchase agreements is approximately their carrying amounts
- the fair values of all loan assets, term deposits and debt liabilities carried at amortised cost, is determined with reference to changes in interest rates and credit spreads
- the fair value of balances due from/to subsidiaries and other related body corporate entities is approximated by their carrying amount as the balances are generally at variable rate.

The following methods and significant assumptions have been applied in determining the fair values of the following items:

- repurchase and reverse repurchase agreements, being collateralised financing arrangements, are measured at fair value with reference to the securities which are held or provided as the collateral for the financing agreement
- financial investments classified at FVTPL or FVOCI are measured at fair value by reference to quoted prices in active markets where available (for example listed securities). If quoted prices in active markets are not available, the fair values are estimated on the basis of other recognised valuation techniques that maximise the use of quoted prices and observable market inputs.

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

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

The fair value of all financial assets and liabilities approximates their carrying value at balance sheet date and are predominantly classified as level 2 in the fair value hierarchy except for cash at bank of £11,317,000 (2021: £2,140,000) and financial investments of £4,999,000 (2021: £nil) which is classified as level 1.

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

# Macquarie Capital (Europe) Limited

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

### Note 29. Fair values of assets and liabilities (continued)

The following table summarises fair value of assets measured at FVOCI, including the level within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
As at 31 March 2022	£'000	£'000	£'000	£'000
<b>Assets</b>				
Reverse repurchase agreements	-	35,011	-	35,011
Financial investments	4,999	-	-	4,999
<b>Total assets</b>	<b>4,999</b>	<b>35,011</b>	<b>-</b>	<b>40,010</b>

The following table summarises fair value of assets measured at FVOCI, including the level within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
As at 31 March 2021	£'000	£'000	£'000	£'000
<b>Assets</b>				
Reverse repurchase agreements	-	78,751	-	78,751
<b>Total assets</b>	<b>-</b>	<b>78,751</b>	<b>-</b>	<b>78,751</b>

### Note 30. Discontinued operations

**Post Transfer of the Company's EU-related mandates and branch activities to MCF** – In the previous financial year, as a result of the implementation of Brexit, MCEL is no longer able to passport into Europe via its European branches and therefore, from 1 January 2021, ceased to undertake regulated activity in the EU. The branch in Ireland will continue to operate as an employment entity and the representative office in Switzerland will continue to support the Swiss business. The branch operations in Germany, Netherlands and France were reflected as discontinued operations within the previous financial year's financial statements. The transfer of the Spanish representative office to MCF was effective on 1 April 2021 and therefore, the associated assets and liabilities were disclosed as HFS assets and liabilities on the balance sheet. Refer to Note 11 *Held for sale assets* and Note 15 *Held for sale liabilities*. Any wind down of branch operations that continued throughout the current financial year have been reflected as discontinued operations within the current financial year's financial statements. The previous financial year's gain of £11,600,000 recognised from the transfer of the operations of the branches in Germany, Netherlands and France as well as the current financial year's gain of £696,000 recognised from the transfer of the Spanish Representative Office were classified in other operating income in the profit and loss account. Refer to Note 4 (*Loss/profit before taxation*).

Certain assets and liabilities, comprising of right-of-use assets and lease liabilities associated with Macquarie Capital (Europe) Limited, Niederlassung Deutschland and Macquarie Capital (Europe) Limited, Amsterdam Branch have not been fully transferred as of 31 March 2022 and are disclosed as HFS assets and liabilities on the balance sheet. Refer to Note 11 *Held for sale assets* and Note 15 *Held for sale liabilities* for details.

Each of the branches will be wound down with the exception of Ireland (which remains an employment branch for non-regulated technical staff in MacCap). The winding down of the France, Netherlands and Germany branches and the Spain representative office is expected to complete in FY23. A representative office in Switzerland will remain to continue to support MacCap Equities Swiss business activities.

# Macquarie Capital (Europe) Limited

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

### Note 31. Offsetting financial assets and financial liabilities

The Company reports financial assets and financial liabilities on a net basis on the balance sheet in accordance with criteria described in Note 3(iv) Financial instruments. The following tables provide information on the impact of offsetting that has occurred on the balance sheet, as well as amounts subject to enforceable netting arrangements that do not meet all the criteria for offsetting and therefore are presented gross in the balance sheet. Enforceable netting arrangements may allow for net settlement of specified contracts with a counterparty only in the event of default or other pre-determined events, such that their potential effects on the Company's financial position in that circumstance is to settle these contracts as one arrangement. The Company uses a variety of credit risk mitigation strategies in addition to netting and collateral arrangements, therefore amounts presented in this note are not intended to represent the credit risk exposure of the entity, refer to Note 27.1 *Credit risk* for information on credit risk management.

	Amounts subject to enforceable netting arrangements <sup>1</sup>						
	Subject to offsetting in balance sheet			Related amounts not offset		Amounts not subject to enforceable netting arrangements	
	Gross amounts	Amounts offset	Net amounts presented	Cash and other financial collateral	Net amount		
As at 31 March 2022	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amounts owed by other Macquarie Group undertakings	58,227	(48,291)	9,936	-	9,936	555,297	565,233
Reverse repurchase agreements	35,011	-	35,011	(35,011)	-	-	35,011
<b>Total assets</b>	<b>93,238</b>	<b>(48,291)</b>	<b>44,947</b>	<b>(35,011)</b>	<b>9,936</b>	<b>555,297</b>	<b>600,244</b>
Amounts owed to other Macquarie Group falling due within one year	(53,669)	48,291	(5,378)	-	(5,378)	(411,189)	(416,567)
Amounts owed to other Macquarie Group falling due after one year	-	-	-	-	-	(17,690)	(17,690)
<b>Total liabilities</b>	<b>(53,669)</b>	<b>48,291</b>	<b>(5,378)</b>	<b>-</b>	<b>(5,378)</b>	<b>(428,879)</b>	<b>(434,257)</b>

<sup>1</sup>There are no amounts not offset related to other recognised financial instruments.

# Macquarie Capital (Europe) Limited

## Notes to the financial statements (continued)

### for the financial year ended 31 March 2022

#### Note 31. Offsetting financial assets and financial liabilities (continued)

	Amounts subject to enforceable netting arrangements <sup>1</sup>					Amounts not subject to enforceable netting arrangements	Balance sheet total
	Subject to offsetting in balance sheet			Related amounts not offset			
	Gross amounts	Amounts offset	Net amounts presented	Cash and other financial collateral	Net amount		
<b>As at 31 March 2021</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amounts owed by other Macquarie Group undertakings	90,834	(77,497)	13,337	-	13,337	702,100	715,437
Reverse repurchase agreements	78,751	-	78,751	(78,751)	-	-	78,751
<b>Total assets</b>	<b>169,585</b>	<b>(77,497)</b>	<b>92,088</b>	<b>(78,751)</b>	<b>13,337</b>	<b>702,100</b>	<b>794,188</b>
Amounts owed to other Macquarie Group falling due within one year	(82,990)	77,497	(5,493)	-	(5,493)	(403,141)	(408,634)
Amounts owed to other Macquarie Group falling due after one year	-	-	-	-	-	(50,732)	(50,732)
<b>Total liabilities</b>	<b>(82,990)</b>	<b>77,497</b>	<b>(5,493)</b>	<b>-</b>	<b>(5,493)</b>	<b>(453,873)</b>	<b>(459,366)</b>

<sup>1</sup>There are no amounts not offset related to other recognised financial instruments.

Amounts owed from/to other Macquarie undertakings netting is governed by the standard terms and rights of set-off as per the MLA. Refer to Note 23 *Related party information* for further details.

#### Note 32. Pledged assets and transfers of financial assets

##### Transfer of financial assets

The Company enters into transactions in the normal course of business that transfer financial assets recognised in the balance sheet to other entities in the Macquarie Group. Depending on the criteria discussed in Note 3(iv), the Company may be unable to derecognise the transferred asset. The following transactions typically result in the transferred assets continuing to be recognised in full.

##### Reverse repurchase agreements

The Company enters into reverse repurchase transactions, where the Company purchases securities under an agreement to resell. The fair value of the securities received is £44,881,000 (2021: £78,295,000). The collateral posted of £35,011,000 (2021: £78,751,000) is recognised in 'reverse repurchase agreements' within *Debtors* (Note 10).

#### Note 33. Ultimate parent undertaking

At 31 March 2022, the immediate parent undertaking of the Company is Macquarie Corporate Holdings Pty Limited (UK Branch).

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 ("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.

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# Macquarie Capital (Europe) Limited

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

### Note 34. Events after the reporting period

There were no material events subsequent to 31 March 2022 and up until the authorisation of the financial statements for issue, that have not been reflected in the financial statements.

# Independent auditors' report to the members of Macquarie Capital (Europe) Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, Macquarie Capital (Europe) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Strategic Report, Directors' Report and Financial Statements (the "Annual Report"), which comprise: the Balance sheet as at 31 March 2022; the Profit and loss account, the Statement of comprehensive income and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

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

### Independence

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

### Conclusions relating to going concern

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

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

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

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

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and the Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### **Strategic report and the Directors' report**

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 year ended 31 March 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and the Directors' report.

## **Responsibilities for the financial statements and the audit**

### **Responsibilities of the directors for the financial statements**

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to relevant Financial Conduct Authority rules and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the potential for manual journal entries being recorded in order to manipulate financial performance, and applying management bias in the determination of accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Inquiries of management and those charged with governance, including review of meeting minutes in so far as they relate to the financial statements, and consideration of known or suspected instances of non-compliance with laws and regulation and fraud;

- Review of correspondence with regulators, including the Financial Conduct Authority ('FCA');
- Incorporating an element of unpredictability into the nature, timing and/or extent of our testing;
- Challenging assumptions and judgements made by management in their significant accounting estimates; and
- Applying risk-based criteria to all journal entries posted in the audit period, including consideration of backdated entries, post-close entries and those journals posted by a defined group of unexpected users.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### **Use of this report**

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

## **Other required reporting**

### **Companies Act 2006 exception reporting**

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Ian Godsmark (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
22 July 2022

# Macquarie Capital (Europe) Limited

## Country by country reporting information

The following table summarises the country by country reporting information:

For the financial year ended 31 March 2022		Turnover	Profit/(loss) before taxation	Corporation tax paid	Average FTE employees number
Region	Activity	£'000	£'000	£'000	
Germany	Administrative and support services	1,001	(269)	(1,294)	-
Ireland	Administrative and support services	20	(893)	(2)	2
Netherlands	Administrative and support services	-	(7)	(4)	-
France	Administrative and support services	12	(68)	(2)	1
Switzerland	Administrative and support services	503	20	(78)	2
Spain	Administrative and support services	-	(78)	-	-
UK	Corporate advisory services, institutional stockbroking, market making	103,798	(1,613)	-	-
<b>Total</b>		<b>105,334</b>	<b>(2,908)</b>	<b>(1,380)</b>	<b>5</b>

### Note 1. Basis of preparation

The Directors are responsible for preparation of the country by country reporting information in accordance with the Capital Requirements (Country by Country Reporting) Regulations 2013.

The table above presents Macquarie Capital (Europe) Limited's (the "Company's") turnover, profit/loss, corporation cash tax paid and number of employees, allocated by country on the basis of the Company's tax domicile.

Turnover has been disclosed in line with the financial statements of the Company. Employee numbers represent average full-time equivalent ("FTE") permanent employees.

The entity did not receive any public subsidies.

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# ***Independent auditors' report to the directors of Macquarie Capital (Europe) Limited***

## **Report on the audit of the country-by-country information**

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### **Opinion**

In our opinion, Macquarie Capital (Europe) Limited's country-by-country information for the year ended 31 March 2022 has been properly prepared, in all material respects, in accordance with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

We have audited the country-by-country information for the year ended 31 March 2022 in the Country-by-Country report.

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### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the country-by-country information section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Independence***

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

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### **Emphasis of matter - Basis of preparation**

In forming our opinion on the country-by-country information, which is not modified, we draw attention to note 1 of the country-by-country information which describes the basis of preparation. The country-by-country information is prepared for the directors for the purpose of complying with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013. The country-by-country information has therefore been prepared in accordance with a special purpose framework and, as a result, the country-by-country information may not be suitable for another purpose.

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### **Conclusions relating to going concern**

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

In auditing the country-by-country information, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the country-by-country information is appropriate.

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

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

### **Responsibilities for the country-by-country information and the audit**

#### ***Responsibilities of the directors for the country-by-country information***

The directors are responsible for the preparation of the country-by-country information in accordance with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013 as explained in the basis of preparation in note 2 and accounting policies in note 3 to the financial statements, and for determining that the basis of preparation and accounting policies are acceptable in the circumstances. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of country-by-country information that is free from material misstatement, whether due to fraud or error.

In preparing the country-by-country information, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of

accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### *Auditors' responsibilities for the audit of the country-by-country information*

It is our responsibility to report on whether the country-by-country information has been properly prepared in accordance with the relevant requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

Our objectives are to obtain reasonable assurance about whether the country-by-country information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this country-by-country information.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company/industry, we identified that the principal risks of non-compliance with laws and regulations related to relevant Financial Conduct Authority rules and guidance, and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the country-by-country information. We also considered those laws and regulations that have a direct impact on the country-by-country information such as applicable tax legislation and the Capital Requirements (Country-by-Country Reporting) Regulations 2013. We evaluated management's incentives and opportunities for fraudulent manipulation of the country-by-country information (including the risk of override of controls), and determined that the principal risks were related to the potential for manual journal entries being recorded in order to manipulate financial performance, and applying management bias in the determination of accounting estimates and judgements. Audit procedures performed included:

- Discussions with management and those charged with governance, including review of meeting minutes in so far as they relate to the financial statements, and consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Review of correspondence with the regulators, including the Financial Conduct Authority ('FCA');
- Incorporating an element of unpredictability into the nature, timing and/or extent of our testing; and
- Applying risk-based criteria to all journal entries posted in the audit period, including consideration of backdated entries, post-close entries and those journals posted by a defined group of unexpected users.
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There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the country-by-country information. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the country-by-country information is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### *Use of this report*

This report, including the opinion, has been prepared for and only for the company's directors in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

*Pricewaterhousecoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
22 July 2022