Macquarie Investment Management Ltd

A.C.N. 002 867 003

MACQUARIE

Annual Report
for the financial year ended 31 March 2021

The Company's registered office is:
Level 6
50 Martin Place
Sydney NSW 2000
Australia

Macquarie Investment Management Ltd

2021 Annual Report
Contents

The Financial report was authorised for issue by the Board of Directors on 25 June 2021.

The Board of Directors has the power to amend and reissue the Financial Report.

Directors' Report

For the financial year ended 31 March 2021

In accordance with a resolution of the Directors of Macquarie Investment Management Ltd ("The Company"), the Directors submit herewith the financial statements of the Company and the report as follows:

Directors

The following persons were the Directors of the Company at any time during or since the end of the financial year to the date of this report:

Name of Director	Appointed on
Catherine Ann Aston	12 December 2017
Ian Hilton Miller	1 July 2013
John Vincent Edstein	1 July 2013
Michael Ronald Davis	1 November 2015

Principal activities

The principal activities of the Company during the financial year ended 31 March 2021 (current financial year) were to act as:

a) Trustee of Superannuation Funds
b) Operator of Investor Directed Portfolio Services (WRAP platform)
c) Responsible Entity (RE) and trustee of managed funds
d) Administration Services Provider for institutional clients

Result

The Financial Report for the current and previous financial year and the results herein, have been prepared in accordance with the Australian Accounting Standards.

The profit attributable to ordinary equity holder for the current financial year was $20,864,000 (2020: $19,848,000).

Dividends

Dividends of $10,000,000 were paid or provided for during the current financial year (2020: $15,000,000).

State of affairs

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

Review of operations

The profit attributable to ordinary equity holder of the Company for the current financial year was $20,864,000, an increase of 5 percent from $19,848,000 in the previous financial year.

The primary reason for increase in profit is decrease in operating expenses by $9,881,000, decrease in net interest expense by $1,291,000 and increase in other operating income by $1,729,000 partially offset by decrease in net fee and commission income by $11,485,000

Net operating income for the current financial year was $169,230,000, a decrease of 5 percent on the previous financial year.

Total operating expenses for the current financial year were $139,363,000, a decrease of 7 percent on the previous financial year.

Directors’ Report
For the financial year ended 31 March 2021 (continued)

Events after the reporting date

To comply with the new legislation to implement Royal Commission recommendation 3.1, the Company will transition the below set of activities to Macquarie Investment Services Limited:
1. Responsible entity of the Macquarie Separately Managed Accounts (SMA); and
2. Issuer and operator of the Individually Managed Account (IMA) and Global Managed Account (GMA).

At the date of this report, the Directors are not aware of any other matter or circumstance which has arisen that has significantly affected or will 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 2021 not otherwise disclosed in this report.

Likely developments, business strategies and prospects

Disclosure of information relating to developments in the operations, business strategies and prospects for future financial years of the Company have not been included in the report as the Directors believe it may result in unreasonable prejudice to the Company.

Directors' indemnification

Under the Company’s Constitution, the Company indemnifies all the past and present Directors of the Company (including at this time the Directors named in this report) against certain liabilities, and costs incurred by them in their respective capacities. The Indemnity covers the following liabilities and legal costs (subject to the exclusions described as follows):

- every liability incurred by that person in their respective capacity;
- all legal costs incurred in defending or resisting (or otherwise in connection with) proceedings in which the person becomes involved because of, their respective capacity;
- legal costs incurred by the person in good faith obtaining advice on issues relevant to the performance and discharge of their duties as an officer of the Company and its wholly-owned subsidiaries, if any, that have been approved in accordance with the Company’s policy;

- The indemnity does not apply to the extent that:
  - the Company is forbidden by law to indemnify the person against the liability or legal costs; or
  - an indemnity by the Company of the person against the liability or legal costs would, if given, be made void by law.

In addition, Macquarie Group Limited (MGL) made an Indemnity and Insurance Deed Poll on 12 September 2007 (Deed Poll). The benefit of the undertakings made by MGL under the Deed Poll have been given to each of the directors, secretaries, persons involved in the management and certain other persons, of MGL and its wholly-owned subsidiaries (which includes the Company) and other companies where the person is acting as such at the specific request of MGL and its wholly-owned subsidiaries.

Under the Deed Poll, MGL, inter alia, agrees to:

- indemnify the Director upon terms broadly consistent with the indemnity contained in MGL’s Constitution (which are broadly consistent with the Company’s constitution).
- take out and maintain an insurance policy (or procure that an insurance policy is taken out and maintained) against liabilities incurred by the Director acting as an officer of MGL or its wholly owned subsidiaries. The insurance policy must be for an amount and on terms and conditions appropriate for a reasonably prudent company in MGL’s position. Insurance must be maintained for seven years after the Director ceases to be a Director or until any proceedings commenced during that period have been finally resolved (including any appeal proceedings).

A Directors’ and Officers’ insurance policy, taken out by MGL, is in place that provides cover for each person in favour of whom such insurance is required to be taken out under the Deed Poll. Relevant individuals pay the premium attributable to the direct coverage under the policy and MGL and its wholly-owned subsidiaries pay the premium attributable to the reimbursement coverage under the policy. The Directors’ and Officers’ insurance policy prohibits disclosure of the premium payable under the policy and the nature of the liabilities insured.

Directors' Report

For the financial year ended 31 March 2021 (continued)

Environmental regulations

The Company has policies and procedures in place that are designed to ensure that, where operations are subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory, those obligations are identified and appropriately addressed.

The Directors have determined that there has not been any material breach of those obligations during the current financial year.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration, as required under section 307C of the *Corporations Act 2001 (cth)*, is set out on page 5 following this report.

Rounding of amounts

In accordance with the *ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191*, amounts in the Directors' Report and the Financial Report have been rounded off to the nearest thousand dollars unless otherwise indicated.

This report is made in accordance with a resolution of the Directors.

DocuSigned by:
Ian Hilton Miller
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Director

Sydney
25 June 2021

Auditor's Independence Declaration

As lead auditor for the audit of Macquarie Investment Management Ltd for the year ended 31 March 2021, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

R.W.McMahon

RW McMahon
Partner
PricewaterhouseCoopers

Sydney
25 June 2021

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Income statement
For the financial year ended 31 March 2021

	Notes	2021 $'000	2020 $'000
Fee and commission income	3	**176,322**	189,635
Fee and commission expense	3	**(7,280)**	(9,108)
Net fee and commission income		**169,042**	180,527
Interest and similar income		**42**	906
Interest expense and similar charges		**(162)**	(2,317)
Net interest expense	3	**(120)**	(1,411)
Other operating income and charges	3	**308**	(1,421)
Net operating income		**169,230**	177,695
Other operating expenses	3	**(139,363)**	(149,244)
Total operating expenses		**(139,363)**	(149,244)
Operating profit before income tax		**29,867**	28,451
Income tax expense	4	**(9,003)**	(8,603)
Profit after income tax		**20,864**	19,848
Profit attributable to ordinary equity holder of Macquarie Investment Management Ltd		**20,864**	19,848

The above income statement should be read in conjunction with the accompanying notes.

Statement of comprehensive income
For the financial year ended 31 March 2021

	Notes	2021 $'000	2020 $'000
Profit after income tax		**20,864**	19,848
Other comprehensive income		**-**	-
Total comprehensive income		**20,864**	19,848
Total comprehensive income attributable to ordinary equity holder of Macquarie Investment Management Ltd		**20,864**	19,848

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position
As at 31 March 2021

	Notes	2021 $'000	2020 $'000
Assets			
Cash, bank and other demand deposits	6	**142,987**	80,974
Financial Investments	7	**1,838**	54,258
Other assets	8	**40,894**	41,105
Intangible assets	9	**8,339**	10,530
Deferred tax assets	10	**1,043**	1,003
Total assets		**195,101**	187,870
Liabilities			
Other liabilities	11	**24,197**	29,124
Debt issued	12	**20,516**	19,222
Total liabilities		**44,713**	48,346
Net assets		**150,388**	139,524
Equity			
Contributed equity	14	**123,500**	123,500
Retained earnings	15	**26,888**	16,024
Total capital and retained earnings attributable to ordinary equity holder of Macquarie Investment Management Ltd		**150,388**	139,524
Total equity		**150,388**	139,524

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity
For the financial year ended 31 March 2021

	Notes	Contributed equity $'000	Retained earnings $'000	Total equity $'000
Balance as at 1 April 2019		123,500	11,176	137,456
Profit after income tax		-	19,848	19,848
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	19,848	19,848
Transactions with equity holder in their capacity as ordinary equity holder:				
Dividends paid or provided for	5	-	(15,000)	(15,000)
Balance as at 31 March 2020		**123,500**	**16,024**	**139,524**
Profit after income tax		**-**	**20,864**	**20,864**
Other comprehensive income, net of tax		**-**	**-**	**-**
Total comprehensive income		**-**	**20,864**	**20,864**
Transactions with equity holder in their capacity as ordinary equity holder:				
Dividend paid	5	**-**	**(10,000)**	**(10,000)**
Balance as at 31 March 2021		**123,500**	**26,888**	**150,388**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows
For the financial year ended 31 March 2021

	Notes	2021 $'000	2020 $'000
Cash flows generated/(utilised) from operating activities			
Profit after income tax		**20,864**	19,848
Adjustments to profit after income tax:			
Interest and similar income	3	**(42)**	(906)
Interest expense and similar charges	3	**162**	2,317
Amortisation of intangibles	3	**2,191**	2,198
Impairment charge on intangibles	3	**-**	2,000
Dividend and distributions from financial investments	3	**(59)**	(693)
Credit impairment (reversal) / charge	3	**(82)**	2
Net loss/(gain) on equity financial investments	3	**(127)**	216
Changes in assets and liabilities:			
Tax balances		**(1,173)**	(53)
Other assets and other liabilities		**2,222**	13,639
Related entities receivables/payables		**553**	(13,825)
Cash generated from operations		**24,509**	24,743
Interest and similar income received	3	**42**	906
Interest expense and similar charges paid	3	**(162)**	(2,317)
Net cash flows from operating activities		**24,389**	23,332
Cash flows generated/(utlised) from investing activities			
Financial investments			
- Payments for acquisition		**(3,069)**	(15,905)
- Proceeds from disposal		**55,634**	1,110
- Dividends and distributions received	3	**59**	-
Net cash flows generated/(utilised) in investing activities		**52,624**	(14,795)
Cash flows utilised in financing activities			
Dividends paid	5	**(15,000)**	(25,000)
Net cash flows used in financing activities		**(15,000)**	(25,000)
Net increase/(decrease) in cash and cash equivalents		**62,013**	(16,463)
Cash and cash equivalents at the beginning of the financial year		**80,974**	97,437
Cash and cash equivalents at the end of the financial year	16	**142,987**	80,974

The above statement of cash flows should be read in conjunction with the accompanying notes.

- During the current financial year, there is non cash movement in the financial investments of $nil (2020: $693,000) which represents reinvestment of distribution.

Notes to the financial statements
For the financial year ended 31 March 2021

Note 1. Company information

The Company is a public company incorporated and domiciled in Australia. The address of the Company's registered office is Level 6, 50 Martin Place, Sydney, NSW 2000, Australia.

Note 2. Summary of significant accounting policies

i) Basis of preparation

This Financial Report is a General Purpose Financial Report which has been prepared in accordance with the Australian Accounting Standards and the *Corporations Act 2001 (Cth)*. The Company is a for-profit entity for the purposes of preparing the Financial Report.

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

Compliance with IFRS as issued by the IASB

Compliance with the Australian Accounting Standards ensures that the Financial Report complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Consequently, this Financial Report is compliant with IFRS.

Basis of measurement

This Financial Report has been prepared under the historical cost convention, as modified by the revaluation of financial investments measured at fair value through profit or loss (FVTPL).

Critical accounting estimates and significant judgements

The preparation of the Financial Report in conformity with the Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires the 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 Report such as:

- determining the appropriate business model for a group of financial assets and assessing whether the cash flows generated by an asset constitute solely payments of principal and interest (SPPI) (notes 2 (v));
- fair value of intangible assets with definite useful life (note 2 (xi));
- the impairment of identifiable intangible assets (notes 2(x) and 9)
- fair value of financial assets and financial liabilities (note 21);
- recoverability of deferred tax assets and measurement of current tax liabilities (notes 2(iv), 4 and 10);
- amortisation of intangible assets (note 2(xi) and 9);
- consideration of impairment triggers for receivables (note 2(x) and 8); and
- recognition and measurement of provision (note 2(xii) and 11).

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

Management believes the estimates used in preparing 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.

Notes to the financial statements
For the financial year ended 31 March 2021 (continued)

Note 2. Summary of significant accounting policies (continued)
i) Basis of preparation (continued)

Coronavirus (COVID-19) impact

The Novel Coronavirus (COVID-19) continues to have an impact on global economies and financial markets. It has also led to material structural shifts in the behaviour of the economy and unprecedented 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 2020 financial statements. Those processes identified that expected credit losses and the assessment of the impairment of non-financial assets required continued judgement as a result of the impact of COVID-19.

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.

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

AASB Revised Conceptual Framework for Financial Reporting

The revised AASB Framework, was effective for the Company's annual financial reporting period beginning on 1 April 2020.

The AASB Framework provides the AASB with a base of consistent concepts upon which future accounting standards will be developed. The AASB Framework will also assist financial report preparers to develop accounting policies when there is no specific or similar standard that addresses an issue.

The AASB Framework includes amendments to the definition and recognition criteria for assets, liabilities, income and expenses, guidance on measurement and derecognition, and other relevant financial reporting concepts. The application of the AASB Framework did not have a material impact on the Company's financial statements.

(b) New Australian Accounting Standards and amendments to Australian Accounting Standards and Interpretations that are not yet effective for the financial year

Other amendments made to existing standards

Other amendments to existing standards that are not mandatorily effective for the annual reporting period beginning on 1 April 2020 and have not been early adopted, are not likely to result in a material impact on the Company's financial statements following the adoption.

Notes to the financial statements
For the financial year ended 31 March 2021 (continued)

ii) Foreign currency translations

Functional and presentation currency

The functional currency of the Company is determined as the currency of the primary economic environment in which the Company operates. The Company's financial statements are presented in Australian dollars (the presentation currency), which is also the Company's functional currency.

Transactions and balances

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

Foreign exchange gains and losses arising from the settlement of transaction of monetary items are recognised in other operating income and charges.

iii) Revenue and expense recognition

Fee and commission income

Fee and commission income, includes portfolio administration fees, fees from fund management, brokerage and account servicing fee, and recognised as the performance obligations are satisfied.

Fee shared with related entities

Fee with related entities is recognised as and when the services are performed as per the agreed cost or profit sharing arrangements.

Net interest income

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

When the estimates of payments or receipts of a financial instrument are subsequently revised, the carrying amount is adjusted to reflect the actual or revised cash flows with the remeasurement recognised as part of interest income (financial assets) or interest expense (financial liabilities) in the income statement. The calculation of EIR does not include expected credit losses (ECL).

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

Other operating income and charges

Other operating income and charges include investment income, impairment charge on intangibles and other income.

Investment income include gains and losses arising from subsequent changes in 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.

Expenses

Expenses are recognised in the income statement as and when the provision of services is received.

Notes to the financial statements
For the financial year ended 31 March 2021 (continued)

Note 2. Summary of significant accounting policies (continued)

iv) Taxation

Income tax

All eligible Australian resident wholly owned subsidiaries of Macquarie Group Limited ("MGL", the Company's ultimate parent entity) comprise a tax consolidated group with MGL as the head entity. As a consequence, the Company is not liable to make income tax payments and does not recognise any current tax balances or any deferred tax assets arising from unused tax losses or credits.

The tax consolidated group recognises its current and deferred taxes using the 'group allocation approach' detailed in AASB Interpretation 1052 Tax Consolidation Accounting. Under the terms and conditions of a tax funding agreement, MGL charges each subsidiary for all current tax liabilities incurred in respect of their activities and reimburses each subsidiary for any tax assets arising from unused tax losses. The tax funding agreement also allows for the transfer of tax balances between group entities as required. Where the recognition of a deferred tax balance in the transferee is precluded under AASB 112, the funding paid or received is accounted for in equity.

MGL's group allocation approach is based on a 'standalone taxpayer' approach as defined in UIG 1052 which requires each subsidiary member to record income taxes as though they each continued to be a taxable entity in their own right. Modifications, such as the removal of the standalone tax effect of intra-group dividend income, are then made to this approach wherever it does not appropriately reflect the tax outcome to the tax consolidated group.

Should MGL be in default of its tax payment obligations, or a default is probable, the current tax balances of its subsidiaries will be determined in accordance with the terms and conditions of a tax sharing agreement between MGL and entities in the tax consolidated group.

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

Deferred tax assets are recognised when temporary differences arise between the tax bases of assets and liabilities and their respective carrying amounts which give rise to a future tax benefit. Deferred tax assets are recognised only to the extent that it is probable that future taxable amounts will be available to utilise those temporary differences. 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.

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.

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 within the tax consolidated group in Australia or groups of entities in overseas jurisdictions, 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 tax authorities based on its understanding of the law and interpretation of the law.

Goods and service tax (GST)

The Company is part of a GST group, of which MGL is the head entity. Any GST assets or liabilities have been assumed by the head entity and hence are not recognised in the Company's own financial statements.

Where GST (or other value-added tax) is not recoverable from tax authorities it is either capitalised to the Statement of financial position as part of the cost of the related asset or is recognised in the income statement.

Under Indirect Tax Sharing Agreement, the Company's share of the net GST group asset or liability is limited to the Company's contribution amount, which is generally that Company's net GST asset or liability as if it were determined on stand-alone basis.

v) Financial instruments

(a) 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 (in the case of instruments not classified as 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 income statement.

Notes to the financial statements
For the financial year ended 31 March 2021 (continued)

Note 2. Summary of significant accounting policies (continued)

v) Financial instruments (continued)

(b) De-recognition of financial instruments

Financial assets

Financial assets are de-recognised from the Statement of financial position when:

- the rights to cash flows have expired; and
- where the Company has transferred its contractual rights to receive cash flows on 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;
- The Company is prohibited from selling or pledging the original asset other than as security to the eventual recipients, and
- The Company is 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 derecognised if control over the asset is lost. Any interest in the transferred and derecognised 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 de-recognised from the Statement of financial position when the Company's obligation has been discharged, cancelled or has expired.

Gains and losses arising from the derecognition of financial assets or financial liabilities are recognised in:
- investment income within other operating income and charges, in respect of financial investments; and
- other income as part of other operating income and charges for all other financial assets and financial liabilities.

(c) Modification of financial instruments

A financial instrument is modified when its original contractual cash flows are renegotiated or modified. A financial asset that is renegotiated is derecognised if the rights to receive cash flows from the existing agreement have expired, either through replacement by a new agreement or the existing terms are modified to that effect. A financial liability is derecognised if the existing agreement is cancelled and a new agreement is made on substantially different terms or if the existing terms are modified such that the renegotiated financial instrument is a substantially different financial instrument. Where the modification results in de-recognition of the original financial instrument, the new financial instrument is recorded initially at its fair value and the resulting difference is recognised in the income statement in accordance with the nature of the financial instrument as described in the derecognition of financial instruments policy.

For financial instruments measured at amortised cost, when the modification does not result in de-recognition, a gain or loss is recognised in the income statement in accordance with the nature of the financial instrument as described in the derecognition of financial instruments policy. The gain or loss is measured as the adjustment of the gross carrying amount to reflect the renegotiated or modified contractual cash flows, discounted at the instrument's original EIR.

(d) Classification and 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 flows characteristics.

Notes to the financial statements
For the financial year ended 31 March 2021 (continued)

Note 2. Summary of significant accounting policies (continued)

v) Financial instruments (continued)

(d) Classification and Measurement (continued)

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 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 Company's senior management 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 solely payments of principal and interest on the principal amount outstanding. This includes an assessment of whether the cash flows reflect primarily consideration for the time value of money and the credit risk of the principal outstanding. Interest may also include consideration for other basic lending risks and costs.

Amortised cost

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

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

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

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

Interest income is determined in accordance with the EIR method.

All financial assets held with Macquarie group entities are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI requirements. Hence, these are measured are measured at amortised cost. This category includes Cash, bank and other demand deposits and other assets.

Fair value through profit or loss (FVTPL)

Financial assets that do not meet the criteria to be measured at amortised cost or fair value through other comprehensive income (FVOCI) are measured at FVTPL.
For the purposes of the Company's financial statements, the FVTPL classification consist of financial assets that fail the SPPI test and are classified as financial instruments.

Changes in the fair value of financial assets that are FVTPL are recognised as investment income as part of other operating income and charges in the income statement.

The interest component of financial assets that are classified as FVTPL is recognised in interest income.

(e) Reclassification of financial instruments

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

The Company does not reclassify financial liabilities after initial recognition.

Notes to the financial statements
For the financial year ended 31 March 2021 (continued)

Note 2. Summary of significant accounting policies (continued)

v) Financial instruments (continued)

Financial liabilities

Financial liabilities are subsequently measured at amortised cost.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported on the Statement of financial position, 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.

vi) Financial investments

Investment securities in this category include investments in equity or debt securities which are not actively traded by the Company. Debt securities represents units held in unlisted trust engaged in investment in debt securities.

Financial investments are initially recognised at fair value adjusted for directly attributable transaction costs on settlement date and subsequently measured in accordance with Note 2(v) *Financial Instruments* .

vii) Other Assets

Where the Company provides services to clients and the consideration is unconditional, a receivables is recognised. The receivables are assessed for impairment in accordance with AASB 9 *Financial instruments* .

viii) Cash, bank and other demand deposits

Cash, bank and other demand deposits includes cash at bank and balances at call due from / to financial institutions. These balances are subsequently measured at amortised cost using the EIR method.

ix) Due to / from related entities

Transactions between the Company, its parent entity and other related entities principally arise from the provision of lending arrangements and acceptance of funds on deposit, intercompany services and transactions. These transactions are measured at amortised cost except for lending arrangements that do not satisfy the SPPI criterion. Refer Note 2(iii) Revenue and expense recognition and Note 2(v) Financial Instruments. Financial assets and financial liabilities are presented net where the offsetting requirements are met (Note 2(v)), such that the net amount is reported in the Statement of financial position.

x) Impairment

Expected credit losses

The ECL requirements apply to financial assets measured at amortised cost including amount due from related entities and amounts receivable from contracts with customers.

The Company applies a three-stage approach ((i) Stage I – 12 month ECL, (ii) Stage II – Lifetime ECL not credit impaired and (iii) Stage III – Lifetime ECL credit impaired) to measure the ECL based on changes in the financial asset's underlying credit risk and includes forward-looking or macro-economic information (FLI). ECL is modelled as the product of the probability of default (PD), the loss given default (LGD) and the exposure at default (EAD).

Impairment of intangible assets

For intangible assets that have a finite useful life, an assessment is made at each reporting date for indications of impairment.

Impairment losses are recognised in other impairment charges as part of other operating income and charges in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Intangible assets for which an impairment loss has been recognised are reviewed for possible reversal of the impairment at each reporting date.

Notes to the financial statements
For the financial year ended 31 March 2021 (continued)

Note 2. Summary of significant accounting policies (continued)

xi) Intangible assets

Customer and servicing contracts having a finite useful life are carried at cost less accumulated amortisation and any accumulated impairment loss. Amortisation is calculated on a straight line basis over a period of the contract or the period for which the customer relationship is expected to exist, whichever is lower. The period of the contract is 10 years.

Amortisation of intangible assets and impairments are recognised in the income statement.

xii) Provisions

Dividends

Where a dividend is determined or resolved by Company's Board of Directors, consideration is given to the record date in determining the date on which the provision for the dividend is recognised in the Statement of financial position as a liability, with a corresponding reduction in retained earnings.

Others

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.

xiii) Cash and cash equivalents

Cash and cash equivalents comprises cash and bank balances as well as certain liquid financial investments that have a contractual maturity of three months or less from the date of acquisition and which are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are available to meet the Company's short term cash commitments.

xiv) Contributed equity

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 of issue.

xv) Fiduciary assets

The Company engages in trust, fund or other fiduciary activities that result in the holding or placing of assets on behalf of third parties. Where such assets are controlled, and future economic benefits are expected to be realised, by the Company, such assets and the income thereon are reflected in the Statement of financial position and income statement respectively. Where this is not the case, these assets and the income thereon are excluded from the Company's financial statements as they are not the assets of the Company. Fee income earned by the Company relating to its responsibilities from fiduciary activities is included in the Company's income statements.

xvi) Debt Issued

Debt issued includes long-term funding taken from Macquarie Group companies. These balances are subsequently measured at amortised cost using the EIR method.

xvii) Comparatives

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

xviii) Rounding of amounts

In accordance with the *ASIC (Rounding in Financial/Director's Reports) Instrument 2016/191,* amounts in the financial statements have been rounded off to the nearest thousand dollars unless otherwise indicated.

Notes to the financial statements
For the financial year ended 31 March 2021 (continued)

	2021 $'000	2020 $'000
Note 3. Profit for the financial year		
Fee and commission income		
Portfolio administration fees	148,618	149,865
Management fees	4,642	8,450
Fee share from related entities	17,948	26,437
Other fee and commission income	5,114	4,883
Total fee and commission income	176,322	189,635
Fee and commission expense		
Brokerage and commissions	(1,039)	(2,709)
Fee shared with related entities	(5,173)	(5,411)
Other fee and commission expense	(1,068)	(988)
Total fee and commission expense	(7,280)	(9,108)
Net fee and commission income	169,042	180,527
Net interest expense		
Interest and similar income[1]	42	906
Interest expense and similar charges[1]	(162)	(2,317)
Net interest expense	(120)	(1,411)

[1] Interest income and expense calculated using effective interest rate method on financial assets that are measured at amortised cost.

	2021 $'000	2020 $'000
Other operating income and charges		
Investment income:		
- Dividends and distribution received from financial investments	59	693
- Net gain / (loss) on equity financial investments	127	(216)
Impairment charge on intangible asset	-	(2,000)
Other income	122	102
Total other operating income and charges	308	(1,421)
Net operating income	169,230	177,695
Other operating expenses		
Management fees, group service charges and cost recoveries	(127,974)	(137,768)
Professional fees	(1,669)	(1,720)
Travel and entertainment expenses	(54)	(510)
Amortisation of intangibles (note 9)	(2,191)	(2,198)
Credit impairment reversal / (charges)	82	(2)
Other expenses	(7,557)	(7,046)
Total other operating expenses	(139,363)	(149,244)

The Company had no employees during the current and previous financial year.

	2021 $'000	2020 $'000
Operating profit before income tax	29,867	28,451

Notes to the financial statements
For the financial year ended 31 March 2021 (continued)

Note 4. Income tax expense

	2021 $'000	2020 $'000
(i) Income tax expense		
Current tax expense	(9,044)	(8,567)
Deferred tax expense	41	(36)
Total income tax expense	**(9,003)**	(8,603)

	2021 $'000	2020 $'000
(ii) Reconciliation of income tax expense to prima facie tax expense		
Prima facie income tax expense on operating profit[1]	(8,960)	(8,534)
Tax effect of amounts which are (not deductible)/non-assessable in calculating taxable income:		
Rate differential on offshore income	(19)	(37)
Non-deductible expenses	(6)	(28)
Others	(18)	(4)
Total income tax expense	**(9,003)**	(8,603)

[1]Prima facie income tax on operating profit is calculated at the rate of 30 percent (2020: 30 percent). The Company has a tax year ending on 31 March.

	2021 $'000	2020 $'000
(iii) Deferred tax expense represents movements in deferred tax assets		
Other assets and liabilities	51	(701)
Interests in financial investments	(10)	65
Intangible assets	-	600
Total deferred tax expense represents movements in deferred tax assets	**41**	(36)

Note 5. Dividends

	2021 $'000	2020 $'000
Interim dividend paid (2021: $0.06 (2020: $0.06) per share)	10,000	10,000
Final dividend provided for (2021: Nil (2020: $0.03) per share)	-	5,000
Total dividends paid or provided for (note 16)	**10,000**	15,000

Note 6. Cash, bank and other demand deposits

	2021 $'000	2020 $'000
Due from other related entity	142,987	80,974
Total cash, bank and other demand deposits	**142,987**	80,974

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

Note 7. Financial Investments

	2021 $'000	2020 $'000
Debt security		
Units in Australian unlisted money market trust[1]	-	51,831
Equity security[2]		
Listed	177	158
Unlisted	1,661	2,269
Total financial investments	**1,838**	54,258

[1]The investment in Australian unlisted money market trust represents a 0% (March 2020: 0.77%) ownership interest and was measured at fair value through profit and loss (FVTPL). This investment was held to meet ORFR requirements.

[2]The investments in equity securities are measured at FVTPL.

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

Notes to the financial statements
For the financial year ended 31 March 2021 (continued)

Note 8. Other assets

	2021 $'000	2020 $'000
Due from other related entities[1]	**22,688**	22,199
Debtors and prepayments[2]	**15,231**	13,336
Taxes receivable[3]	**2,799**	5,503
Due from MGL under tax funding agreement	**11**	-
Others	**165**	67
Total other assets	**40,894**	41,105

Of the above amounts, $40,894,000 (2020:$19,835,000) is expected to be recovered within 12 months of the reporting date by the Company.

[1] Includes $nil (2020:$21,270,000) receivable from a related entity which is expected to be recovered after 12 months.

[2] The balance includes certain financial assets of $3,386,000 (2020: $20,687,592) which are fully provided for.

[3] Represents input tax credit receivable from Australian Taxation Office (ATO).

Note 9. Intangible assets

Customer and servicing contract[1]

	2021	2020
At Cost	**20,000**	20,000
Less: accumulated amortisation	**(9,661)**	(7,470)
Less: impairment	**(2,000)**	(2,000)
Total intangible assets	**8,339**	10,530

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

[1] Represents amounts paid to an external party for the right to provide platform administration services to certain clients.

Reconciliation of the movement in intangible assets:

	Customer and servicing contract $'000
Balance as at 1 April 2019	14,728
Amortisation expense (note 3)	(2,198)
Impairment (note 3)	(2,000)
Balance as at 31 March 2020	10,530
Amortisation expense (note 3)	**(2,191)**
Impairment (note 3)	**-**
Balance as at 31 March 2021	**8,339**

Note 10. Deferred tax assets

	2021 $'000	2020 $'000
The balance comprises temporary differences attributable to:		
Other assets and liabilities	**424**	374
Interests in financial investments	**19**	29
Intangible assets	**600**	600
Total deferred tax assets	**1,043**	1,003

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

Notes to the financial statements
For the financial year ended 31 March 2021 (continued)

	2021 $'000	2020 $'000
Note 11. Other liabilities		
Due to other related entities[1]	**21,931**	25,948
Due to MGL under tax funding agreement	**-**	1,122
Accrued charges and sundry provisions	**1,508**	1,144
Due to customers	**301**	823
Creditors	**190**	76
Others	**267**	11
Total other liabilities	**24,197**	29,124

Of the above amounts, $24,197,000 (2020:$7,854,000) is expected to be settled within 12 months of the reporting date by the Company.

[1] Includes an amount of $nil (2020:$21,270,000) payable to a related entity which is expected to be paid after 12 months.

Note 12. Debt issued

	2021 $'000	2020 $'000
Due to other related entity	**20,516**	19,222
Total debt issued	**20,516**	19,222

The above amounts are issued in AUD currency and are expected to be settled after 12 months of the reporting date by the Company

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

Note 13. 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. Capital is defined as share capital plus reserves.

The Company's capital management objectives are to:
- ensure sufficient capital resources 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.

The Company is required to hold an amount which has been determined at $71,000,000 (March 2020: $55,660,000) in designated accounts to provide adequate financial resources for its superannuation fund business, as per APRA Prudential Standard SPS 114 Operational Risk Financial Requirements (ORFR).

Effective 1 July 2015, ASIC Class Order [CO 13/760] Financial Requirements for Responsible Entities and Operators of Investor Directed Portfolio services also apply to the Company in addition to APRA Prudential Standard SPS 114 Operational Risk Financial Requirement.

Under Class Order [CO 13/760] the Company is required to maintain:
- a minimum net tangible assets (NTA) of greater of $150,000; 0.5% of the average value of scheme property and investor directed portfolio services (IDPS) property (if any) up to $5,000,000; or 10% of average revenue.
- cash or cash equivalent greater of $150,000 or 50% of NTA;
- liquid assets at least 100% of NTA;
- $50,000 surplus liquid funds (SLF);
- cash or cash equivalents to meet cash flow obligations over at least next 12 months.

The Company's compliance with the Australian Financial Services License (AFSL) requirements is managed on an ongoing basis with formal testing performed on a monthly basis. The Company has continued to meet the stipulated requirements in the current and previous year and no breaches have occurred.

Notes to the financial statements
For the financial year ended 31 March 2021 (continued)

	2021 Number of shares	2020 Number of shares	2021 $'000	2020 $'000
Note 14. Contributed equity				
Ordinary share capital[1]				
Balance at the beginning of the financial year	**158,803,031**	158,803,031	**123,500**	123,500
Balance at the end of the financial year	**158,803,031**	158,803,031	**123,500**	123,500

[1]Ordinary shares have no par value.

	2021 $'000	2020 $'000
Note 15. Retained earnings		
Retained earnings		
Balance at the beginning of the financial year	**16,024**	11,176
Profit attributable to ordinary equity holder of Macquarie Investment Management Ltd	**20,864**	19,848
Dividends (Note 5)	**(10,000)**	(15,000)
Balance at the end of the financial year	**26,888**	16,024

Note 16. Notes to the statement of cash flows

Reconciliation of cash and cash equivalents

Cash and cash equivalents at the end of the financial year are reflected in the related items as of financial position as follows:

	2021 $'000	2020 $'000
Cash, bank and other demand deposits[1] (note 6)	**142,987**	80,974
Cash and cash equivalents at the end of the financial year	**142,987**	80,974

[1]Includes balances at call held with certain related body corporates and restricted cash of $77,190,000 (2020: $18,132,532) held in Cash Management Account (CMA) to meet the ORFR requirement.

Notes to the financial statements
For the financial year ended 31 March 2021 (continued)

Note 17. Related party information

Parent

The immediate parent entity is Macquarie Funds Management Holdings Pty Limited. The ultimate parent entity is MGL.

Transactions with related parties

Master Loan Agreement (the MLA) governs the funding arrangements between various related body corporate entities which are under the common control of MGL and acceded to the MLA. During the current financial year the Tripartite Outsourcing Major Services Agreement (TOMSA) became effective governing 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.

During the financial year, the following transactions were made with the related entities

	2021		2020	
	$		$	
	Parent	**Other related entities**	Parent	Other related entities
Fee and commission income (note 3)	**-**	**17,948,000**	-	26,437,000
Fee and commission expense (note 3)	**-**	**(5,173,000)**	-	(5,411,000)
Interest income (note 3)	**-**	**42,000**	-	906,000
Interest expense (note 3)	**-**	**(162,000)**	-	(2,317,000)
Dividends and distributions from financial investments (note 3)	**-**	**59,000**	-	693,230
Management fees, group service charges and cost recoveries	**(123,128,000)**	**(4,846,000)**	(133,273,000)	(4,495,000)
Dividends paid/payable (note 5)	**(10,000,000)**	**-**	(15,000,000)	-

Amounts receivable from and payable to related entities are disclosed in notes 6, 8, 11 and 12 to the financial statements.

The Company is the operator of Investor Directed Portfolio Services (under WRAP platform) and hence provides services by operating the platform. Certain KMPs and their related parties hold accounts on the WRAP platform. All transactions with KMP (including their related parties) were conducted on an arm's length basis in the ordinary course of business and under standard terms and conditions for other customers and employees. Amounts in respect of these transactions are recognised as fee and commission income in the Income Statement.

The Company has entered into tax sharing and tax funding agreements with MGL. The terms and conditions of these agreements are set out in Note 2 – Summary of significant accounting policies.

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

Note 18. Key management personnel disclosure

Key management personnel

The following persons were Directors of the Company and those having authority and responsibility for planning, directing and controlling the activities of the Company (Key Management Personnel – KMP) during the financial years ended 31 March 2021 and 31 March 2020, unless otherwise indicated:

Name of Director	**Appointed on**
Catherine Ann Aston	12 December 2017
Ian Hilton Miller	1 July 2013
John Vincent Edstein	1 July 2013
Michael Ronald Davis	1 November 2015

Key management personnel remuneration

The KMP are also the Directors of the Company.

No Directors of the Company are Directors of the ultimate parent entity.

Key Management Personnel remuneration

	2021	2020
	$	$
Amounts in relation to their role as KMP of the Company	**549,000**	549,000

As this represents an allocation of the amounts that KMP are remunerated by other entities it is not appropriate to split the allocations into the specific remuneration categories.

The KMP and their related parties did not receive any other benefits or consideration in connection with the management of the Company. All other benefits that were received by KMP (principally performance related remuneration and options for MGL equity) were solely related to other services performed with respect to their employment within the Macquarie Group.

Notes to the financial statements
For the financial year ended 31 March 2021 (continued)

Note 19. 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 20. Financial risk management

Risk Management Group (RMG)

Risk is an integral part of the Macquarie Group's businesses. The material risks faced by the Company 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 business managers throughout Macquarie is to ensure they manage risk appropriately.

RMG is independent of 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 of MGL. The Head of RMG, as Macquarie's Chief Risk Officer (CRO), is a member of the Executive Committee of MGL and Macquarie Bank Limited (MBL) and reports directly to the Chief Executive Officer (CEO) with a secondary reporting line to the Board Risk Committee.

Note 20.1 Credit risk

Credit risk is the risk of a counterparty failing to complete its contractual obligations when they fall due. The consequential loss is either the amount of the loan or financial obligation not repaid, or the loss incurred in replicating a trading contract with a new counterparty.

Credit risk within the Company is managed by RMG at Macquarie Group level.

Ratings and reviews

For internals balances, credit rating of each affiliate entity has been defined based on rating grades assigned internally to these counterparties for the pricing of internal funding arrangements on an arm's length basis. In case the affiliate is not rated, the same has been classified as below investment grade on a conservative basis.

Credit quality of financial assets

The table below discloses as at 31 March 2021, by credit rating grades and ECL impairment stage, the gross carrying amount of assets measured at amortised cost subject to the impairment requirements of AASB 9. The credit quality is based on the counterparty's credit rating using the Company's credit rating system.

2021	Stage I $'000	Stage II $'000	Stage III $'000	Total $'000
Investment grade				
Cash, bank and other demand deposits	143,019	-	-	143,019
Other assets	40,525	-	-	40,525
Total investment grade	183,544	-	-	183,544
Non-investment grade				
Other assets	-	-	3,386	3,386
Total non-investment grade	-	-	3,386	3,386
Total[1,2]	183,544	-	3,386	186,930

[1]This balance excludes other non-financial assets of $405,000 which are included in Note 8 – Other assets.

[2]For the purposes of this disclosure gross carrying amount of financial assets measured at amortised cost represents the amortised cost before ECL allowance.

Notes to the financial statements
For the financial year ended 31 March 2021 (continued)
Note 20. Financial risk management (Continued)

Note 20.1 Credit risk (continued)

2020	Stage I $'000	Stage II $'000	Stage III $'000	Total $'000
Investment grade				
Cash, bank and other demand deposits	80,974	-	-	80,974
Other assets	39,469	-	-	39,469
Total investment grade	120,443	-	-	120,443
Non-investment grade				
Other assets	-	-	20,688	20,688
Total non-investment grade	-	-	20,688	20,688
Total[1,2]	120,443	-	20,688	141,131

[1]This balance excludes other non-financial assets of $1,816,834 which are included in Note 8 – Other assets.

[2]For the purposes of this disclosure gross carrying amount of financial assets measured at amortised cost represents the amortised cost before ECL allowance.

Credit risk concentration

The table below details the concentration of credit risk by significant geographical locations and counterparty type of the Company's financial assets subject to impairment requirements of AASB 9. The geographical location is determined by the domicile and counterparty type is based on APRA classification.

2021	Cash, bank and other demand deposits $'000	Other financial assets[1] $'000	Total $'000
Australia			
Governments	-	4,316	4,316
Financial institutions	143,019	13,055	156,074
Other	-	4,206	4,206
Total Australia	143,019	21,577	164,596
Asia Pacific			
Financial institutions	-	22,334	22,334
Other	-	-	-
Total Asia Pacific	-	22,334	22,334
Total	143,019	43,911	186,930
Total gross credit risk[2]			186,930

[1]This balance excludes other non-financial assets of $405,000 which are included in Note 8 – Other assets.

[2]For the purposes of this disclosure gross carrying amount of financial assets measured at amortised cost represents the amortised cost before ECL allowance.

Credit risk concentration

The table below details the concentration by significant geographical locations and counterparty type of the Company's financial assets not subject to impairment requirements of AASB 9 since they are measured at fair value through profit and loss. Financial assets that are subject to risks other than credit risk, such as equity investments are excluded from the below table.

2021	Financial investments $'000	Total $'000
Australia		
Other	-	-
Total Australia	-	-
Total	-	-
Total gross credit risk[2]		-

Notes to the financial statements
For the financial year ended 31 March 2021 (continued)

Note 20. Financial risk management (Continued)

Note 20.1 Credit risk (continued)

Credit risk concentration

The table below details the concentration of credit risk by significant geographical locations and counterparty type of the Company's financial assets subject to impairment requirements of AASB 9. The geographical location is determined by the domicile and counterparty type is based on APRA classification.

2020		Cash, bank and other demand deposits $'000	Other financial assets[1] $'000	Total $'000
Australia				
Governments		-	5,503	5,503
Financial institutions		80,974	11,772	92,745
Other		-	21,603	21,603
Total Australia		80,974	38,878	119,851
Asia Pacific				
Financial institutions	-	-	21,270	21,270
Other		-	9	9
Total Asia Pacific		-	21,279	21,279
Total		80,974	60,157	141,131
Total gross credit risk[2]				141,131

[1]This balance excludes other non-financial assets of $1,816,834 which are included in Note 8 – Other assets.

[2]For the purposes of this disclosure gross carrying amount of financial assets measured at amortised cost represents the amortised cost before ECL allowance.

Credit risk concentration

The table below details the concentration by significant geographical locations and counterparty type of the Company's financial assets not subject to impairment requirements of AASB 9 since they are measured at fair value through profit and loss. Financial assets that are subject to risks other than credit risk, such as equity investments are excluded from the below table.

2020	Financial investments $'000	Total $'000
Australia		
Other	51,831	51,831
Total Australia	51,831	51,831
Total	51,831	51,831
Total gross credit risk[2]		51,831

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.

Notes to the financial statements
For the financial year ended 31 March 2021 (continued)

Note 20. Financial risk management (Continued)

Note 20.2 Liquidity risk

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

Liquidity management is performed centrally by Group Treasury, with oversight from the Asset and Liability Committee and RMG.

Contractual undiscounted cash flows

The following table summarises the maturity profile of the Company's financial liabilities as at 31 March based on contractual undiscounted repayment basis and hence would vary from the carrying value at the reporting date shown on the Statement of financial position. Repayments subject to notice are treated as if notice were given immediately. This does not reflect the behaviour of 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.

2021	On demand $'000	0 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	More than 5 years $'000	Total $'000
Debt issued	2,823	-	-	18,392	42	21,257
Other liabilities[1]	348	-	22,334	-	-	22,682
Total undiscounted cash flows	**3,171**	**-**	**22,334**	**18,392**	**42**	**43,939**

[1] This balance excludes other non-financial liabilities of $1,515,000 which are included in Note 12 - Other liabilities.

2020	On demand $'000	0 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	More than 5 years $'000	Total $'000
Debt issued	-	28	85	19,469	78	19,660
Other liabilities[1]	829	5,260	-	21,270	-	27,359
Total undiscounted cash flows			85	40,739	78	47,019

[1] This balance excludes other non-financial liabilities of $1,764,909 which are included in Note 12 - Other liabilities.

Note 20.3 Market risk

Market risk is the risk of adverse changes in the value of Company's financial assets and liabilities from changes in market conditions. The Company has exposure to non-traded market risks arising from transactions entered into during its normal course of business. These risks include:

– **interest rates**: changes in the level, shape and volatility of yield curves, and/or client behaviour given these changes.

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'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.

Interest rate risk

The Company also 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	2021 Sensitivity of profit after tax $'000	2020 Sensitivity of profit after tax $'000
Australian dollar	50	476	434
Australian dollar	-50	(476)	(434)

Foreign Currency Risk

The Company is not exposed to significant foreign currency risk.

Notes to the financial statements
For the financial year ended 31 March 2021 (continued)

Note 20.3 Market risk (Continued)

Equity price risk

The table below indicates the equity markets to which the Company had significant exposure at 31 March on its non-trading investment portfolio. The effect on the income statement due to a reasonably possible change in equity prices, with all other variables held constant, is as follows:

	Movement in equity price	2021 Sensitivity of profit after tax $'000	2020 Sensitivity of profit after tax $'000
Australia			
Listed	+10%	12	11
Unlisted	+10%	116	159
Total		129	170
Australia			
Listed	-10%	(12)	(11)
Unlisted	-10%	(116)	(159)
Total		(129)	(170)

Note 21. Fair value of financial assets and financial 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.

Financial instruments 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 instrument is determined on the basis of the lowest level input that is significant to the fair value measurement.

AASB 13 *Fair Value Measurement* requires use of the price within the bid-offer spread that is most representative of fair value. Valuation systems will typically generate mid market prices. The bid-offer adjustment reflects the extent to which bid-offer costs would be incurred if substantial all residual net portfolio market risks were closed using available hedging instruments.

The following methods and significant assumptions have been applied in determining the fair values of the financial instruments, which are carried at fair value:

- Financial investments are measured at fair value by reference to quoted market prices when available (e.g. listed securities). If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques.

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 certified before they are used, and models are calibrated periodically to test that outputs reflect prices from observable current market transactions in the same instrument or other available observable market data. To the extent possible, models use only observable market data, 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.

Notes to the financial statements
For the financial year ended 31 March 2021 (continued)

Note 21. Fair value of financial assets and financial liabilities (Continued)

The following table summarise the levels of fair value hierarchy for financial instruments measured at fair value:

2021	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets				
Financial investments	**177**	**-**	**1,661**	**1,838**
Total assets	**177**	**-**	**1,661**	**1,838**

2020	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial investments	158	51,831	2,269	54,258
Total assets	158	51,831	2,269	54,258

Reconciliation of balances in Level 3 of the fair value hierarchy

The following table summarises the movements in Level 3 of the fair value hierarchy for the Company for the financial years ended 31 March 2021 and 31 March 2020.

	Financial investments $'000
Balance at 1 April 2019	516
Purchases	1,938
Fair value loss recognised in the income statement	(185)
Balance at 1 April 2020	**2,269**
Sales	(673)
Fair value gain recognised in the Income statement	65
Balance at March 2021	**1,661**

Significant transfers between levels of the fair value hierarchy

During the financial year the Company did not have any transfers between level 1,2 and 3.

The following methods and significant assumptions have been applied in determining the fair values of financial instruments which are carried at amortised cost:

- 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 elements of all other financial assets and financial liabilities;
- the fair values of variable rate financial instruments, including certain liabilities carried at amortised cost are approximate to their carrying amounts;
- the fair values of balances due from/to related entities are approximated by their carrying amount as the balances are generally short term in nature.

The fair value of all financial assets and liabilities carried at amortised cost, approximates their carrying value at balance sheet date and are predominantly classified as level 2 in the fair value hierarchy except for cash and call balances of $142,987,000 (2020: $80,974,000).

Notes to the financial statements
For the financial year ended 31 March 2021 (continued)

Note 21. Fair value of financial assets and financial liabilities (Continued)

Sensitivity analysis of valuations using unobservable inputs

The table below shows the sensitivity to reasonably possible alternative assumptions, for Level 3 financial instruments whose fair values are determined in whole or in part using unobservable inputs and valuation techniques such as discounted cash flows, based on assumptions by reference to historical company and industry experience.

2021	**Movement**	**Favourable changes**	**Unfavourable changes**
		Profit or loss	**Profit or loss**
Product type		**$'000**	**$'000**
Equity investments	**10%**	**166**	**(166)**
Total		**166**	**(166)**

2020	Movement	Favourable changes	Unfavourable changes
		Profit or loss	Profit or loss
Product type		$'000	$'000
Equity investments	10%	227	(227)
Total		227	(227)

Significant unobservable inputs

The following table contains information about the significant unobservable inputs used in Level 3 valuations and the valuation techniques used to measure fair values of instruments.

2021	**Assets $'000**	**Valuation technique**
Equity investments	**1,661**	Published investment manager price
Total		

In terms of range of inputs, minimum and maximum value is not materially different from carrying value.

2020	Assets $'000	Valuation technique
Equity investments	2,269	Published investment manager price
Total		

In terms of range of inputs, minimum and maximum value is not materially different from carrying value.

Note 22. Offsetting financial assets and financial liabilities

The Company presents financial assets and financial liabilities on a net basis in the Statements of financial position when they meet the criteria described in note 2(v) –Financial instruments. The following tables provide information on the impact of offsetting of financial instruments in the Statements of financial position, as well as amounts subject to enforceable netting arrangements that do not meet all the criteria for offsetting and therefore presented gross in the Statement of financial position. 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 21.1 – Credit risk for information on credit risk management.

Notes to the financial statements
For the financial year ended 31 March 2021 (continued)

Note 22. Offsetting financial assets and financial liabilities (continued)

2021

	Amount subject to enforceable netting arrangements							
	Subject to offsetting in the statements of financial position			Related amounts not offset				
	Gross amount	Amount offset	Net amount presented	Other recognised financial instruments	Cash and other financial collateral	Net amount	Amounts not subject to enforceable netting arrangements	Statement of financial position total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash, bank and other demand deposits	44,245	-	44,245	(2,657)	-	41,588	98,742	142,987
Other assets[1]	22,461	(21)	22,440	(20)	-	22,420	18,049	40,489
Total assets	66,706	(21)	66,685	(2,677)	-	64,008	116,791	183,476
Other liabilities[2]	(21,953)	21	(21,932)	2,677	-	(19,255)	(750)	(22,682)
Total liabilities	(21,953)	21	(21,932)	2,677	-	(19,255)	(750)	(22,682)

[1] This balance excludes other non-financial assets of $405,000 which is included in Note 8 - Other assets.
[2] This balance excludes other non-financial liabilities of $1,515,000 which is included in Note 12 - Other liabilities.

2020

	Amount subject to enforceable netting arrangements							
	Subject to offsetting in the statements of financial position			Related amounts not offset				
	Gross amount	Amount offset	Net amount presented	Other recognised financial instruments	Cash and other financial collateral	Net amount	Amounts not subject to enforceable netting arrangements	Statement of financial position total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash, bank and other demand deposits	56,592	-	56,592	(22,203)	-	34,389	24,382	80,974
Other assets[1]	21,409	(79)	21,330	(1)	-	21,328	17,958	39,288
Total assets	78,001	(79)	77,922	(22,204)	-	55,717	42,340	120,262
Other liabilities[2]	(26,518)	79	(26,439)	22,204	-	(4,235)	(920)	(27,359)
Total liabilities	(26,518)	79	(26,439)	22,204	-	(4,235)	(920)	(27,359)

[1] This balance excludes other non-financial assets of $1,816,834 which is included in Note 8 - Other assets.
[2] This balance excludes other non-financial liabilities of $1,764,909 which is included in Note 12 - Other liabilities.

Note 23. Audit and other services provided by PricewaterhouseCoopers

The cost of auditor's remuneration for auditing services of $386,160 (2020: $316,290) has been borne by Macquarie Group Services Australia Pty Limited, a wholly-owned subsidiary within the Macquarie Group. The auditors received no other benefits.

Note 24. Events after the reporting date

To comply with the new legislation to implement Royal Commission recommendation 3.1, the Company will transition the below set of activities to Macquarie Investment Services Limited:
1. Responsible entity of the Macquarie Separately Managed Accounts (SMA); and
2. Issuer and operator of the Individually Managed Account (IMA) and Global Managed Account (GMA)

There were no other material events subsequent to 31 March 2021 that have not been reflected in the financial statements.

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 6 to 32 are in accordance with the *Corporations Act 2001 (Cth)*, including:

(i) complying with the Australian Accounting Standards and regulations; and

(ii) giving a true and fair view of Macquarie Investment Management Ltd's financial position as at 31 March 2021 and of its performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that Macquarie Investment Management Ltd will be able to pay its debts as and when they become due and payable; and

(c) the Financial Report also complies with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Directors.

DocuSigned by:
Ian Hilton Miller
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Director

Sydney
25 June 2021

Independent auditor's report

To the member of Macquarie Investment Management Ltd

Our opinion

In our opinion:

The accompanying financial report of Macquarie Investment Management Ltd (the Company) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's financial position as at 31 March 2021 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the statement of financial position as at 31 March 2021
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the income statement for the year then ended
- the notes to the financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* 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 are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report for the year ended 31 March 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company 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.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 the Australian Auditing Standards 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 the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

Pricewaterhousecoopers

PricewaterhouseCoopers

R.W.McMahon

RW McMahon
Partner

Sydney
25 June 2021