

Macquarie Investment Management Ltd

A.C.N. 002 867 003

Annual Report
for the financial year ended 31 March 2023



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

Macquarie Investment Management Ltd

2023 Annual Report

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The Financial report was authorised for issue by the Board of Directors on 23 June 2023.

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

Macquarie Investment Management Ltd

Directors' Report

For the financial year ended 31 March 2023

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	Resigned
Catherine Ann Aston	12 December 2017	
Ian Hilton Miller	1 July 2013	18 October 2022
John Vincent Edstein	1 July 2013	
Michael Ronald Davis	1 November 2015	
Ruth Picker	26 September 2022	

Principal activities

The principal activities of the Company during the financial year ended 31 March 2023 (current financial year) were to act as:

- a) Trustee of Superannuation Funds
- b) Operator and custodian of Investor Directed Portfolio Services (WRAP platform)
- c) Administration Services Provider for institutional clients
- d) Software as a Service Provider.

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 \$27,639,000 (2022: \$20,928,000).

Dividends and distributions

Dividends of \$20,000,000 were paid or provided for during the current financial year (2022: \$Nil).

State of affairs

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

Review of operations

The profit attributable to ordinary equity holders of the Company for the current financial year was \$27,639,000, an increase of 32 percent from \$20,928,000 in the previous financial year.

The primary reason for the increase in profit is an increase in Fee and Commission income of \$25,471,000 driven by an increase in WRAP administration fees and a decrease in other operating charges of \$6,278,000, largely due to the impairment of intangibles in prior period. These are largely offset by an increase in operating expenses of \$23,161,000. Operating expenses are primarily group resource fees which are calculated as 75% of gross revenue. Increase is in line with increase in revenue.

Net operating income for the current financial year was \$215,429,000, an increase of 18 percent on the previous financial year.

Total operating expenses for the current financial year were \$175,833,000, an increase of 15 percent on the previous financial year.

Macquarie Investment Management Ltd

Directors' Report

For the financial year ended 31 March 2023 (continued)

Events after the reporting date

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 2023 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.

Macquarie Investment Management Ltd

Directors' Report For the financial year ended 31 March 2023 (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:



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Director

Sydney
23 June 2023



Auditor's Independence Declaration

As lead auditor for the audit of Macquarie Investment Management Limited for the year ended 31 March 2023, 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.

A handwritten signature in black ink that reads 'Joe Sheeran'.

Joe Sheeran
Partner
PricewaterhouseCoopers

Sydney
23 June 2023

Macquarie Investment Management Ltd

Income Statement For the financial year ended 31 March 2023

	Notes	2023 \$'000	2022 \$'000
Fee and commission income	3	219,828	194,357
Fee and commission expense	3	(5,394)	(5,311)
Net fee and commission income		214,434	189,046
Interest and similar income	3	1,209	5
Interest expense and similar charges	3	(215)	(149)
Net interest income/(expense)		994	(144)
Other operating income/(charges)	3	1	(6,277)
Net operating income		215,429	182,625
Other operating expenses	3	(175,833)	(152,672)
Total operating expenses		(175,833)	(152,672)
Operating profit before income tax		39,596	29,953
Income tax expense	4	(11,957)	(9,025)
Profit after income tax		27,639	20,928
Profit attributable to ordinary equity holder of Macquarie Investment Management Ltd		27,639	20,928

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

Macquarie Investment Management Ltd

Statement of comprehensive income For the financial year ended 31 March 2023

	Notes	2023 \$'000	2022 \$'000
Profit after income tax		27,639	20,928
Total comprehensive income		27,639	20,928
Total comprehensive income attributable to ordinary equity holder of Macquarie Investment Management Ltd		27,639	20,928

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

Macquarie Investment Management Ltd

Statement of financial position As at 31 March 2023

	Notes	2023 \$'000	2022 \$'000
Assets			
Cash, bank and other demand deposits	6	188,058	153,317
Financial Investments	7	483	497
Other assets	8	26,943	48,584
Intangible assets	9	-	-
Deferred tax assets	10	2,672	3,052
Total assets		218,156	205,450
Liabilities			
Other liabilities	11	6,263	25,748
Debt issued	12	32,938	8,386
Total liabilities		39,201	34,134
Net assets		178,955	171,316
Equity			
Contributed equity	14	123,500	123,500
Retained earnings	15	55,455	47,816
Total capital and retained earnings attributable to ordinary equity holder of Macquarie Investment Management Ltd		178,955	171,316
Total equity		178,955	171,316

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

Macquarie Investment Management Ltd

Statement of changes in equity For the financial year ended 31 March 2023

	Notes	Contributed equity \$'000	Retained earnings \$'000	Total equity \$'000
Balance as at 1 April 2021		123,500	26,888	150,388
Profit after income tax		-	20,928	20,928
Total comprehensive income		-	20,928	20,928
Transactions with equity holder in their capacity as ordinary equity holder:				
Dividends paid or provided for	5	-	-	-
Balance as at 31 March 2022		123,500	47,816	171,316
Profit after income tax		-	27,639	27,639
Total comprehensive income		-	27,639	27,639
Transactions with equity holder in their capacity as ordinary equity holder:				
Dividend paid or provided for	5	-	(20,000)	(20,000)
Balance as at 31 March 2023		123,500	55,455	178,955

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

Macquarie Investment Management Ltd

Statement of cash flows For the financial year ended 31 March 2023

	Notes	2023 \$'000	2022 \$'000
Cash flows generated from operating activities			
Profit after income tax		27,639	20,928
Adjustments to profit after income tax:			
Amortisation of intangibles	3	-	2,005
Impairment charge on intangibles	3	-	6,333
Dividend and distributions from financial investments	3	(12)	(43)
Credit impairment charge / (reversal)	3	(8)	13
Net gain on equity financial investments	3	14	(13)
Changes in assets and liabilities:			
Tax balances		(480)	(645)
Debt issued		24,552	(12,130)
Other assets and other liabilities		(2,354)	(5,306)
Related entities receivables/payables		5,378	(2,154)
Net cash flows from operating activities		54,729	8,988
Cash flows generated from investing activities			
Financial investments			
Proceeds from disposal of financial investments		-	1,299
Dividends and distributions received from financial investments	3	12	43
Net cash flows generated in investing activities		12	1,342
Cash flows utilised in financing activities			
Dividends paid	5	(20,000)	-
Net cash flows used in financing activities		(20,000)	-
Net increase/(decrease) in cash and cash equivalents		34,741	10,330
Cash and cash equivalents at the beginning of the financial year		153,317	142,987
Cash and cash equivalents at the end of the financial year	16	188,058	153,317

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

Macquarie Investment Management Ltd

Notes to the financial statements For the financial year ended 31 March 2023

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, except for 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 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:

- the impairment of identifiable intangible assets (notes 2(x) and 9)
- amortisation of intangible assets (note 2(xi) and 9);

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.

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

The amendments made to existing standards that were mandatorily effective or have been early adopted for the annual reporting period beginning on 1 April 2022 did not result in a material impact on this Financial Report. There were no new Australian accounting standards that were mandatorily effective or have been early adopted for the Financial Report.

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 2022 and have not been early adopted, are not likely to result in a material impact on the Company's financial statements.

Macquarie Investment Management Ltd

Notes to the financial statements For the financial year ended 31 March 2023 (continued)

Note 2. Summary of significant accounting policies (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

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

Wrap administration fees - The Company earns wrap administration fees for providing portfolio administration services. It has been determined that the provision of administration services is typically a single performance obligation. Administration fees are recognised over the life of the contract as the administration services are provided.

Transaction fees - The Company earns fees for processing certain transactions for clients. Transaction fees are recognised at the point in time when the performance obligations are satisfied

Fund management fees - The Company earns fees from fund managers for listing funds on its investment platform. Fund management fees are recognised over time as the services are provided

Fees shared with related entities

Fees with related entities are 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. The calculation of EIR does not include expected credit losses (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 remeasurement recognised as part of interest income (financial assets) or interest expense (financial liabilities).

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

Net other operating income/(charges)

Other operating income and charges includes impairment charge on intangibles and other income.

Investment incomes 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.

Management fees and cost recoveries

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 in the income statement as and when the provision of services is received in accordance with the standard recovery methodology or as per the cost arrangement applied by the servicing entity.

Macquarie Investment Management Ltd

Notes to the financial statements For the financial year ended 31 March 2023 (continued)

Note 2. Summary of significant accounting policies (continued)

iii) Revenue and expense recognition (continued)

Expenses

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

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 (TCG) with MGL as the head entity. As a consequence, the Company is not liable to make income tax payments and does not recognize any current tax balances or any deferred tax assets arising from unused tax losses or credits.

The TCG recognizes its current and deferred taxes using the 'group allocation approach' detailed in UIG Interpretation 1052 Tax Consolidation Accounting (UIG 1052). 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 TCG 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 TCG.

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 TCG.

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 TCG 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.

Macquarie Investment Management Ltd

Notes to the financial statements For the financial year ended 31 March 2023 (continued)

Note 2. Summary of significant accounting policies (continued)

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. Due to the short-term nature of financial instruments, the fair value of financial instruments carried at amortised cost approximates the carrying value at balance sheet date.

(b) De-recognition of financial instruments

Financial assets

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

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

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 on the derecognition of financial assets and financial liabilities are recognised as other income and charges disclosed in the income statement.

(b) 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.

Business model assessment

The Company uses judgement in determining the business model at the level that reflects how groups of financial assets are managed together to achieve a particular business objective. 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).

The Company exercises judgement to determine the appropriate level at which to assess its business models and its intention with respect to its financial assets.

Amortised cost

A financial asset is subsequently measured at amortised cost using the EIR method where the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.

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

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.

Macquarie Investment Management Ltd

Notes to the financial statements For the financial year ended 31 March 2023 (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 trusts 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 at fair value through profit and loss.

vii) Other assets

Contractual assets, contractual liabilities and capitalised expenses

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 uncrystallised performance fees, these are recorded as a contract asset. Both receivables and contract assets are assessed for impairment in accordance with AASB 9.

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 and its related entities, principally arise from the provision of intercompany services and transactions. These transactions are measured at amortised cost. 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). ECL charges/reversals is recognised in the Income Statement as a credit impairment charges/reversal.

Presentation of ECL allowances

The ECL allowances are presented in the Statement of financial position as a deduction in 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 had 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.

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.

Macquarie Investment Management Ltd

Notes to the financial statements For the financial year ended 31 March 2023 (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 (note 9).

xii) Provisions and contingent liabilities

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.

Contingent liabilities, which generally include letters of credit, indemnities, performance-related contingencies 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.

xiii) Cash and cash equivalents

Cash and cash equivalents comprises balances at call due from related body corporates included in cash, bank and other demand deposits.

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 (note 12).

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 Corporations (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.

Macquarie Investment Management Ltd

Notes to the financial statements For the financial year ended 31 March 2023 (continued)

	2023	2022
	\$'000	\$'000
Note 3. Profit for the financial year		
Fee and commission income		
Wrap administration fees	198,042	170,002
Transaction fees	2,360	2,989
Fund management fees	8,625	7,450
Fee share from related entities	10,053	8,467
Other fee and commission income	748	5,449
Total fee and commission income	219,828	194,357
Fee and commission expense		
Brokerage and commissions	(1)	(10)
Fee shared with related entities	(5,024)	(4,732)
Other fee and commission expense	(369)	(569)
Total fee and commission expense	(5,394)	(5,311)
Net fee and commission income	214,434	189,046
Net interest income/(expense)		
Interest and similar income ⁽¹⁾	1,209	5
Interest expense and similar charges ⁽¹⁾	(215)	(149)
Net interest income/(expense)	994	(144)
⁽¹⁾ Interest income and expense calculated using effective interest rate method on financial assets that are measured at amortised cost.		
Other operating income and charges		
Investment income:		
- Dividends and distribution received from financial investments	12	43
- Net gain / (loss) on equity financial investments	(14)	13
Impairment charge on intangible asset	-	(6,333)
Other income	3	-
Total other operating income and charges	1	(6,277)
Net operating income	215,429	182,625
Other operating expenses		
Management fees, group service charges and cost recoveries	(161,024)	(141,594)
Professional fees	(3,790)	(1,336)
Travel and entertainment expenses	(651)	(130)
Amortisation of intangibles (note 9)	-	(2,005)
Credit impairment reversal / (charges)	8	(13)
Other expenses	(10,376)	(7,594)
Total other operating expenses	(175,833)	(152,672)
The Company had no employees during the current and previous financial year.		
Operating profit before income tax	39,596	29,953

Macquarie Investment Management Ltd

Notes to the financial statements For the financial year ended 31 March 2023 (continued)

	2023	2022
	\$'000	\$'000
Note 4. Income tax expense		
(i) Income tax expense		
Current tax expense	(11,577)	(11,034)
Deferred tax expense	(380)	2,009
Total income tax expense	(11,957)	(9,025)
(ii) Reconciliation of income tax expense to prima facie tax expense		
Prima facie income tax expense on operating profit ¹	(11,879)	(8,986)
Tax effect of amounts which are (not deductible)/non-assessable in calculating taxable income:		
Rate differential on offshore income	(37)	(18)
Non-deductible expenses	(40)	(20)
Others	(1)	(1)
Total income tax expense	(11,957)	(9,025)
¹ Prima facie income tax on operating profit is calculated at the rate of 30 percent (2022: 30 percent). The Company has a tax year ending on 31 March.		
(iii) Deferred tax expense represents movements in deferred tax assets		
Other assets and liabilities	333	123
Interests in financial investments	0	(14)
Intangible assets	(713)	1,900
Total deferred tax expense represents movements in deferred tax assets	(380)	2,009

Note 5. Dividends

Final dividend paid for (2023: \$0.13 (2022: \$Nil) per share)	20,000	-
Total dividends paid or provided for (note 15)	20,000	-

Note 6. Cash, bank and other demand deposits

Due from other related entity	188,058	153,317
Total cash, bank and other demand deposits	188,058	153,317

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

Note 7. Financial investments

Equity security ¹		
Listed	176	191
Unlisted	307	306
Total financial investments	483	497

¹The 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.

Macquarie Investment Management Ltd

Notes to the financial statements For the financial year ended 31 March 2023 (continued)

Note 8. Other assets

	2023	2022
	\$'000	\$'000
Due from other related entities	257	23,804
Debtors ¹	19,896	20,276
Taxes receivable ²	6,647	3,523
Due from MGL under tax funding agreement	28	21
Others	115	960
Total other assets	26,943	48,584

Of the above amounts, \$26,943,000 (2022:\$48,584,000) is expected to be recovered within 12 months of the reporting date by the Company.

¹ The balance includes certain financial assets of \$104,000 (2022: \$700,000) which are fully provided for.

² Represents input tax credit receivable from the Macquarie Super Plan (MSP). A provision of \$243,000 has been recognised against this amount.

Note 9. Intangible assets

Customer and servicing contract

At Cost	20,000	20,000
Less: accumulated amortisation	(11,667)	(11,667)
Less: impairment	(8,333)	(8,333)
Total intangible assets	-	-

Reconciliation of the movement in intangible assets:

	Customer and servicing contract \$'000
Balance as at 1 April 2021	8,339
Amortisation expense (note 3)	(2,005)
Impairment (note 3)	(6,333)
Balance as at 31 March 2022	-
Amortisation expense (note 3)	-
Impairment (note 3)	-
Balance as at 31 March 2023	-

Note 10. Deferred tax assets

	2023	2022
	\$'000	\$'000
The balance comprises temporary differences attributable to:		
Other assets and liabilities	880	547
Interests in financial investments	5	5
Intangible assets	1,787	2,500
Total deferred tax assets	2,672	3,052

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

Macquarie Investment Management Ltd

Notes to the financial statements For the financial year ended 31 March 2023 (continued)

	2023	2022
	\$'000	\$'000
Note 11. Other liabilities		
Due to other related entities	2,665	20,846
Due to MGL under tax funding agreement	521	1,374
Accrued charges and sundry provisions	2,928	2,240
Due to customers	141	1,152
Others	8	136
Total other liabilities	6,263	25,748

Of the above amounts, \$6,263,000 (2022:\$25,748,000) is expected to be settled within 12 months of the reporting date by the Company.

Note 12. Debt issued

Due to other related entity	32,938	8,386
Total debt issued	32,938	8,386

The above amount is held with the Company's funding parent, Macquarie International Finance Limited (MIFL).

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 has 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 \$96,630,000 (March 2022: \$91,485,000) in designated accounts to provide adequate financial resources for its superannuation fund business, as per APRA Prudential Standard SPS 114 Operational Risk Financial Requirement (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 the terms of its Australian Financial Services Licence (AFSL), 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 the next 12 months.

The Company's compliance with the licence's capital 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 of capital and financial requirements have occurred.

Macquarie Investment Management Ltd

Notes to the financial statements For the financial year ended 31 March 2023 (continued)

	2023 Number of shares	2022 Number of shares	2023 \$'000	2022 \$'000
Note 14. Contributed equity				
Ordinary share capital¹				
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

¹Ordinary shares have no par value.

	2023 \$'000	2022 \$'000
	47,816	26,888

Note 15. Retained earnings

Retained earnings

Balance at the beginning of the financial year	47,816	26,888
Profit attributable to ordinary equity holder of Macquarie Investment Management Ltd	27,639	20,928
Dividends (Note 5)	(20,000)	-
Balance at the end of the financial year	55,455	47,816

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:

Cash, bank and other demand deposits ¹ (note 6)	188,058	153,317
Cash and cash equivalents at the end of the financial year	188,058	153,317

¹Includes balances at call held with certain related body corporates and restricted cash of \$96,630,000 (2022: \$91,485,000) held in Cash Management Account (CMA) to meet the Operational Risk Financial Requirement (ORFR).

Note 17. Related party information

Parent

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

Transactions with related parties

The Company has an agreement with Bond Street Custodian Limited (BSCL) where BSCL provides custodial services to the Company calculated as a percentage of the funds held by the custodian.

Transactions between the Company and parent entity and other related entities principally arise from the provision of administrative services. The Master Loan Agreement (the MLA) governs the funding and netting arrangements between various related body corporate entities which are under the common control of MGL and 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.

Macquarie Investment Management Ltd

Notes to the financial statements For the financial year ended 31 March 2023 (continued)

Note 17. Related party information (continued)

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

	2023		2022	
	\$		\$	
	Parent	Other related entities	Parent	Other related entities
Fee and commission income (note 3)	-	47,422,780	-	27,626,966
Fee and commission expense (note 3)	-	(5,024,494)	-	(4,731,837)
Interest income (note 3)	-	1,208,908	-	5,457
Interest expense (note 3)	-	(215,080)	-	(148,948)
Dividends and distributions from financial investments (note 3)	-	11,593	-	43,379
Management fees, group service charges and cost recoveries	(155,660,403)	(5,363,709)	(136,443,106)	(5,151,337)
Dividends paid/payable (note 5)	(20,000,000)	-	-	-

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. In addition, a fund managed by Causeway Asset Management, a related party of Michael Ronald Davis, was listed as an investment option on the Macquarie Wrap Platform during the reporting period and up to 31 March 2023.

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 2023 and 31 March 2022, unless otherwise indicated:

Name of Director	Appointed on	Resigned
Catherine Ann Aston	12 December 2017	
Ian Hilton Miller	1 July 2013	18 October 2022
John Vincent Edstein	1 July 2013	
Michael Ronald Davis	1 November 2015	
Ruth Picker	26 September 2022	

Key management personnel remuneration

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

	2023	2022
	\$	\$
Amounts in relation to their role as KMP of the Company	613,990	549,000

The KMP and their related parties did not receive any other benefits or consideration in connection with the management of the Company.

Macquarie Investment Management Ltd

Notes to the financial statements For the financial year ended 31 March 2023 (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, 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 the amount of the 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 internal 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 2023, 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 Financial Instruments. The credit quality is based on the counterparty's credit rating using the Company's credit rating system.

	Stage I	Stage II	Stage III	Total
2023	\$'000	\$'000	\$'000	\$'000
Investment grade				
Cash, bank and other demand deposits	188,108	-	-	188,108
Other assets	26,907	-	-	26,907
Total investment grade	215,015	-	-	215,015
Non-investment grade				
Other assets	28	-	-	28
Total non-investment grade	28	-	-	28
Total^{1,2}	215,043	-	-	215,043

¹This balance excludes other non-financial assets of \$143,000 of which are included in Note 8 – Other assets

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

Macquarie Investment Management Ltd

Notes to the financial statements For the financial year ended 31 March 2023 (continued)

Note 20. Financial risk management (Continued)

Note 20.1 Credit risk (continued)

2022	Stage I \$'000	Stage II \$'000	Stage III \$'000	Total \$'000
Investment grade				
Cash, bank and other demand deposits	153,356	-	-	153,356
Other assets	45,135	2,582	680	48,397
Total investment grade	198,491	2,582	680	201,753
Non-investment grade				
Other assets	56	-	-	56
Total non-investment grade	56	-	-	56
Total^{1,2}	198,547	2,582	680	201,809

¹This balance excludes other non-financial assets of \$241,000 which are included in Note 8 – Other assets.

²For 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.

2023	Cash, bank and other demand deposits \$'000	Other financial assets ¹ \$'000	Total \$'000
Australia			
Governments	-	7,400	7,400
Financial institutions	188,108	19,504	207,612
Other	-	28	28
Total Australia	188,108	26,932	215,040
Americas			
Governments	-	-	-
Financial institutions	-	-	-
Other	-	1	1
Total Americas	-	1	1
Europe, Middle East & Africa			
Governments	-	-	-
Financial institutions	-	2	2
Other	-	-	-
Total Europe, Middle East & Africa	-	2	2
Total	188,108	26,935	215,043
Total gross credit risk²			215,043

¹This balance excludes other non-financial assets of \$143,000 of which are included in Note 8 – Other assets

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

Macquarie Investment Management Ltd

Notes to the financial statements For the financial year ended 31 March 2023 (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.

	Cash, bank and other demand deposits \$'000	Other financial assets ¹ \$'000	Total \$'000
2022			
Australia			
Governments	-	6,590	6,590
Financial institutions	153,356	18,079	171,435
Other	-	798	798
Total Australia	153,356	25,466	178,822
Asia Pacific			
Financial institutions	-	22,985	22,985
Other	-	2	2
Total Asia Pacific	-	22,987	22,987
Total	153,356	48,453	201,809
Total gross credit risk²			201,809

¹This balance excludes other non-financial assets of \$241,000 which are included in Note 8 – Other assets.

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

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.

Note 20.2 Liquidity risk

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

Liquidity risk within the Company is managed on a group basis 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.

	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
2023						
Debt issued	-	-	-	-	32,938	32,938
Other liabilities ¹	3	2,349	-	-	-	2,352
Total undiscounted cash flows	3	2,349	-	-	32,938	35,290

¹This balance excludes other non-financial liabilities of \$3,911,000 which are included in Note 11 - Other liabilities.

	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
2022						
Debt issued	-	-	-	8,344	42	8,386
Other liabilities ¹	1,155	-	20,846	-	-	22,001
Total undiscounted cash flows	1,155	-	20,846	8,344	42	30,387

¹This balance excludes other non-financial liabilities of \$3,747,000 which are included in Note 11 - Other liabilities.

Macquarie Investment Management Ltd

Notes to the financial statements For the financial year ended 31 March 2023 (continued)

Note 20. Financial risk management (Continued)

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	2023 Sensitivity of profit after tax \$'000	2022 Sensitivity of profit after tax \$'000
Australian dollar	50	12	10
Australian dollar	-50	(12)	(10)

Foreign Currency Risk

The Company is not exposed to significant foreign currency risk.

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	2023 Sensitivity of profit after tax \$'000	2022 Sensitivity of profit after tax \$'000
Australia			
Listed	+10%	12	13
Unlisted	+10%	21	21
Total		33	34
Australia			
Listed	-10%	(12)	(13)
Unlisted	-10%	(21)	(21)
Total		(33)	(34)

Macquarie Investment Management Ltd

Notes to the financial statements For the financial year ended 31 March 2023 (continued)

Note 21. 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 20.1 – Credit risk for information on credit risk management.

2023

	Effect of offsetting on the statement of financial position			Related amounts subject to enforceable netting arrangements in the event of default			Net exposure
	Gross amount ¹	Amounts offset on the Statement of Financial position	Net amounts reported on the financial statement of financial position	Other recognised financial instruments	Cash and other financial collateral	Other collateral for exposures not subject to enforceable netting arrangements	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash, bank and other demand deposits	200,056	(11,998)	188,058	(420)	-	-	187,638
Other assets ²	26,962	(28)	26,934	(12)	-	-	26,922
Total assets	227,018	(12,026)	214,992	(432)	-	-	214,560
Other liabilities ³	(2,380)	28	(2,352)	432	-	-	(1,920)
Debt issued	(44,936)	11,998	(32,938)	-	-	-	(32,938)
Total liabilities	(47,316)	12,026	(35,290)	432	-	-	(34,858)

¹ This includes amounts not subject to enforceable offsetting arrangement are where either there are no master netting agreements or enforceability of agreement is uncertain under bankruptcy laws in some countries or industries.

² This balance excludes other non-financial assets of \$9,000 which is included in Note 8 - Other assets.

³ This balance excludes other non-financial liabilities of \$3,911,000 which is included in Note 11 - Other liabilities.

2022

	Effect of offsetting on the statement of financial position			Related amounts subject to enforceable netting arrangements in the event of default			Net exposure
	Gross amount ¹	Amounts offset on the Statement of Financial position	Net amounts reported on the financial statement of financial position	Other recognised financial instruments	Cash and other financial collateral	Other collateral for exposures not subject to enforceable netting arrangements	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash, bank and other demand deposits	171,608	(18,291)	153,317	(31,835)	-	-	121,481
Other assets ²	48,366	(23)	48,343	(29)	-	-	48,314
Total assets	219,974	(18,314)	201,660	(31,864)	-	-	169,796
Other liabilities ³	(22,024)	23	(22,001)	23,519	-	-	1,518
Debt issued	(26,677)	18,291	(8,386)	8,344	-	-	(42)
Total liabilities	(48,701)	18,314	(30,387)	31,863	-	-	1,476

¹ This includes amounts not subject to enforceable offsetting arrangement are where either there are no master netting agreements or enforceability of agreement is uncertain under bankruptcy laws in some countries or industries.

² This balance excludes other non-financial assets of \$241,000 which is included in Note 8 - Other assets.

³ This balance excludes other non-financial liabilities of \$3,747,000 which is included in Note 12 - Other liabilities.

Macquarie Investment Management Ltd

Notes to the financial statements For the financial year ended 31 March 2023 (continued)

Note 22. Audit and other services provided by PricewaterhouseCoopers

The cost of the auditor's remuneration for auditing services (\$62,049) and other services (\$599,701) totalling \$661,741 (2022: \$595,007) has been borne by Macquarie Group Services Australia Pty Limited, a wholly-owned subsidiary within the Macquarie Group. The auditor received no other benefits.

Note 23. Events after the reporting date

There were no material events subsequent to 31 March 2023 and up until the authorization of the financial statements for issue, that have not been disclosed elsewhere in the financial statements.

Macquarie Investment Management Ltd

Directors' Declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 6 to 28 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 2023 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:

8A79F37ADFE4497...

Director

Sydney
23 June 2023



Independent auditor's report

To the members of Macquarie Investment Management Limited

Our opinion

In our opinion:

The accompanying financial report of Macquarie Investment Management Limited (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 2023 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 2023
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the income statement and statement of comprehensive income 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 2023, 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.

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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.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers' in a cursive script.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'Joe Sheeran' in a cursive script.

Joe Sheeran
Partner

Sydney
23 June 2023