Outer Dowsing Offshore Wind

Compulsory Acquisition Information

Compulsory Acquisition Funding Statement Appendix 3: Accounts of Macquarie Group

Date: March 2024

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OUTER DOWSING OFFSHORE WIND

Company:	**Outer Dowsing Offshore Wind**	Asset:	**Whole Asset**
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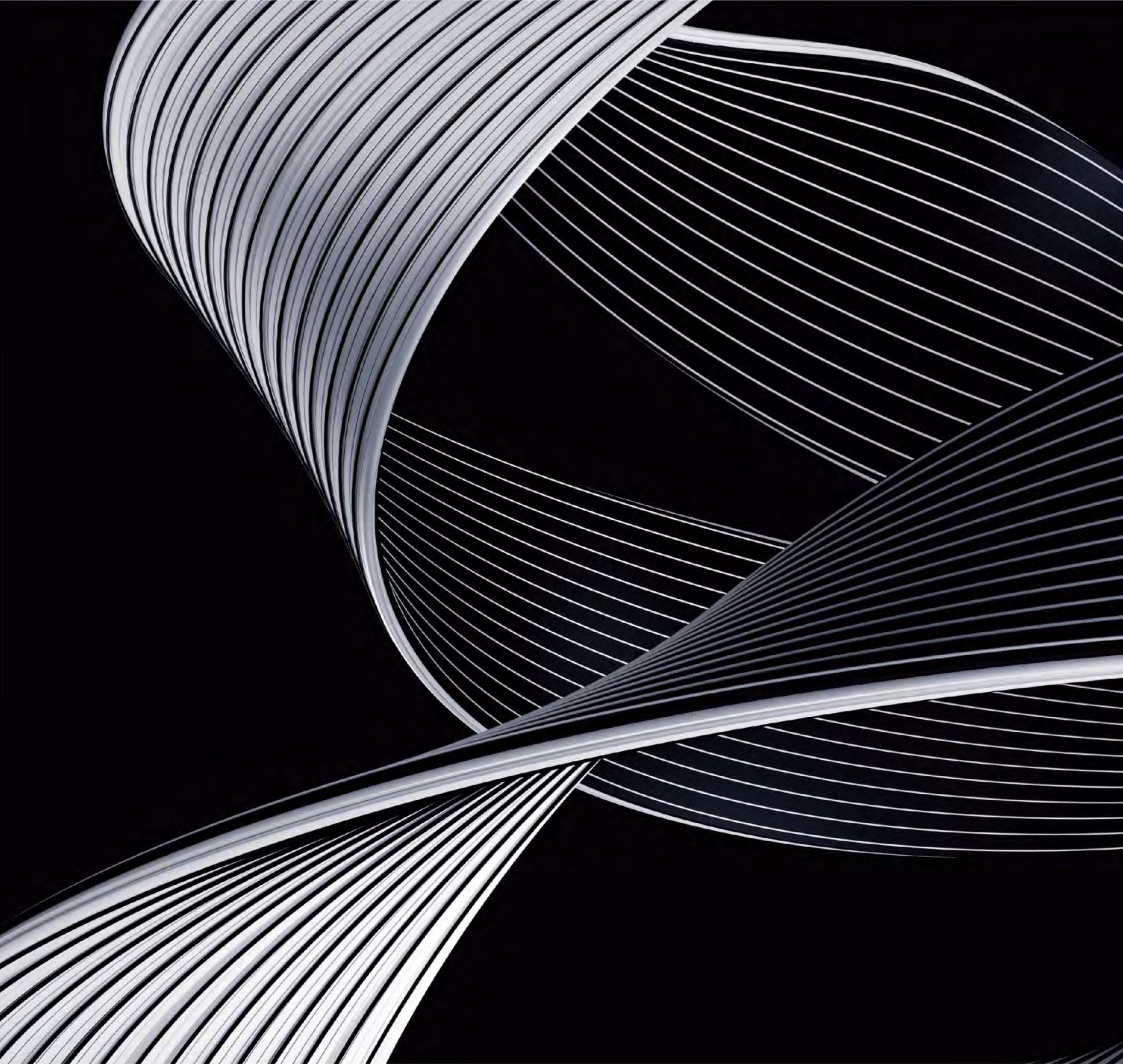

Consolidated Annual Report

Macquarie Financial Holdings Pty Limited (ACN: 124 071 398) and
its subsidiaries

Year ended 31 March 2023

MACQUARIE

The Company’s registered office is:

Level 6, 50 Martin Place

Sydney, NSW 2000

Australia

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The financial report was authorised to issue by the Board of Directors on 29 June 2023.

The Board of Directors has the power to amend and reissue the financial report.

Directors' Report

for the financial year ended 31 March 2023

In accordance with a resolution of the Directors of Macquarie Financial Holdings Pty Limited (the Company or MFHPL), the Directors submit herewith the financial report of the Company and its subsidiaries (the Consolidated Entity) for the year ended 31 March 2023.

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:

Director	Appointed on	Resigned on
S Dyson	25 March 2015	–
D Saad	29 January 2019	–
J Fowler	9 September 2022	-
C Webb	03 March 2022	29 August 2022

Principal activities

The principal activity of the Company is to act as the holding company within the Macquarie Non-Bank Group[1] for Macquarie Capital (MacCap) and the Macquarie Transportation business of Macquarie Asset Management (MAM).

Result

The consolidated profit after income tax attributable to the ordinary equity holder for the financial year ended 31 March 2023 was $1,181 million (2022: $1,566 million). This result represents profit from continuing operations of $784 million (2022: $1,198 million) and profit from discontinued operations of $397 million (2022: $368 million).

Dividends

No dividends were paid or resolved to be paid by the Company during the current and previous financial year.

State of affairs

Effective 1 April 2022, the Green Investment Group (GIG) has been transferred from Macquarie Capital (MacCap) and is operating as part of Macquarie Asset Management (MAM), bringing together Macquarie's specialist capabilities to provide clients with greater access to green investment opportunities.

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

Review of continuing operations

The profit attributable to the ordinary equity holder from continuing operations of the Consolidated Entity for the year ended 31 March 2023 was $784 million (2022: $1,198 million).

Net operating income from continuing operations for the year ended 31 March 2023 was $4,016 million, a decrease of 18% from $4,903 million in the previous financial year, primarily due to a decrease in fee and commission income and investment income which was partially offset by an increase in trading income and a decrease in other impairment charges.

Total operating expenses from continuing operations for the year ended 31 March 2023 was $3,090 million, an increase of 3% from $3,014 million in the previous financial year, primarily due to an increase in service cost recoveries which was partially offset by a decrease in employment expenses.

Events subsequent to balance sheet date

At the date of this report, the Directors are not aware of any matter or circumstances, other than those disclosed in financial report, that have significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in the financial years subsequent to 31 March 2023.

1. Macquarie Group refers to Macquarie Group Limited (MGL) as the ultimate parent entity and its subsidiaries. Further, Macquarie Group comprises of the Bank Group (Macquarie Bank Limited (MBL) and its subsidiaries), and the Non-Bank Group (Macquarie Asset Management Holding Pty Limited (MAMH) and MFHPL along with their subsidiaries).

Directors' Report
continued

Likely developments, business strategies and prospects

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

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; and
- legal costs incurred by the person in good faith in 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, 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); and
- 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.

Environmental regulations

The Consolidated Entity 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 financial year.

Auditor's independence declaration

A copy of the Auditor's Independence Declaration, as required under section 307C of the *Corporations Act 2001*, is set out on page 6 of this report.

Directors' Report
continued

Rounding of amounts

In accordance with the Australian Securities & Investments Commission (Rounding in Financial/Directors' Report) Instruments 2016/191, amounts in the Directors' Report and Financial Report have been rounded off to the nearest million dollars unless otherwise indicated.

S. Dyson

Director

Sydney

29 June 2023

Auditor's Independence Declaration

As lead auditor for the audit of Macquarie Financial Holdings Pty 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.

This declaration is in respect of Macquarie Financial Holdings Pty Limited and the entities it controlled during the period.

K. Stubbins

Kristin Stubbins
Partner
PricewaterhouseCoopers

Sydney
29 June 2023

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Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated income statement

For the financial year ended 31 March 2023

	Notes	2023[1] $m	2022[1] $m
Interest and similar income			
Effective interest rate method	2	**2,215**	886
Other	2	**118**	67
Interest and similar expense	2	**(1,810)**	(552)
Net interest income		**523**	401
Fee and commission income	2	**1,758**	2,388
Investment Income	2	**2,012**	2,749
Net trading income	2	**368**	36
Share of net losses from associates and joint ventures	2	**(238)**	(131)
Net credit impairment charges	2	**(275)**	(230)
Net other impairment charges	2	**(53)**	(360)
Net other operating (charges)/income	2	**(79)**	50
Net operating income		**4,016**	4,903
Employment expenses	2	**(1,426)**	(1,667)
Service cost recoveries	2	**(1,014)**	(685)
Brokerage, commission and fee expenses	2	**(130)**	(141)
Non-salary technology expenses	2	**(115)**	(106)
Other operating expenses	2	**(405)**	(415)
Total operating expenses		**(3,090)**	(3,014)
Operating profit from continuing operations before income tax		**926**	1,889
Income tax expense	3	**(172)**	(449)
Profit from continuing operations after income tax		**754**	1,440
Profit from discontinued operations after income tax[1]	33	**397**	368
Profit from continuing and discontinued operations after income tax		**1,151**	1,808
Loss/(profit) attributable to non-controlling interest holders		**30**	(242)
Profit attributable to the ordinary equity holder of Macquarie Financial Holdings Pty Limited		**1,181**	1,566
From continuing operations		**784**	1,198
From discontinued operations	33	**397**	368

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

1. Income and expenses related to the discontinued operations have been presented as part of 'Profit from discontinued operations after income tax'. Refer to Note 33 *Assets, liabilities and disposal groups classified as held for sale and discontinued operations*.

Consolidated statement of comprehensive income

For the financial year ended 31 March 2023

	Notes	2023 $m	2022 $m
Profit from continuing and discontinued operations after income tax		**1,151**	1,808
Other comprehensive income/(loss):[1]			
Movements in items that may be subsequently reclassified to the income statement:			
Fair value through other comprehensive income (FVOCI) reserve:			
Revaluation movement	19	**(18)**	1
Changes in expected credit losses (ECL) allowance	19	**27**	11
Cash flow hedges and cost of hedging reserves:			
Revaluation movement	19	**38**	(15)
Transferred to income statement on realisation	19	**55**	9
Share of other comprehensive income from associates and joint ventures	19	**140**	59
Foreign exchange movement on translation and hedge accounting of foreign operations		**633**	(59)
Movements in item that will not be subsequently reclassified to the income statement:			
Others	19	**10**	-
Total other comprehensive income		**885**	6
Other comprehensive income from continuing operations		**885**	6
Total comprehensive income		**2,036**	1,814
Total comprehensive loss/(income) attributable to non-controlling interests		**13**	(236)
Total comprehensive income attributable to the ordinary equity holder of Macquarie Financial Holdings Pty Limited		**2,049**	1,578
From continuing operations		**1,652**	1,210
From discontinued operations	33	**397**	368

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

1. All items are net of tax, where applicable.

Consolidated statement of financial position

As at 31 March 2023

	Notes	2023 $m	2022 $m
Assets			
Cash and bank balances		**3,317**	3,027
Reverse repurchase agreements		**11,122**	8,649
Settlement, margin money and trading assets	4	**6,967**	7,557
Financial investments	5	**4,168**	5,527
Held for sale assets	33	**1,496**	1,719
Other assets	6	**2,977**	2,700
Loan assets	7	**16,784**	11,711
Due from related body corporate entities	21	**19,503**	14,731
Interests in associates and joint ventures	9	**2,459**	2,137
Property, plant and equipment	10	**2,042**	1,579
Intangible assets	11	**965**	1,013
Deferred tax assets	12	**718**	634
Total assets		**72,518**	60,984
Liabilities			
Settlement, margin money and trading liabilities	13	**5,626**	5,665
Held for sale liabilities	33	**633**	853
Other liabilities	14	**2,870**	3,109
Borrowings		**3,791**	1,832
Due to related body corporate entities	21	**44,050**	35,791
Issued debt securities	15	**2,936**	2,724
Deferred tax liabilities	12	**52**	57
Total liabilities excluding loan capital		**59,958**	50,031
Loan capital	17	**2,640**	2,135
Total liabilities		**62,598**	52,166
Net assets		**9,920**	8,818
Equity			
Contributed equity	18	**5,029**	6,018
Reserves	19	**471**	(387)
Retained earnings	19	**4,244**	3,061
Total capital and reserves attributable to ordinary equity holder of Macquarie Financial Holdings Pty Limited		**9,744**	8,692
Non-controlling interests	19	**176**	126
Total equity		**9,920**	8,818

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

Consolidated statement of changes in equity

For the financial year ended 31 March 2023

	Notes	Contributed equity $m	Reserves $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
Balance as at 1 Apr 2021		7,858	(399)	1,501	8,960	293	9,253
Profit from continuing and discontinued operations after income tax		-	-	1,566	1,566	242	1,808
Other comprehensive income/(loss), net of tax		-	12	-	12	(6)	6
Total comprehensive income		-	12	1,566	1,578	236	1,814
Transactions with equity holder in their capacity as ordinary equity holder:							
Return of capital to MGL	18	(1,898)	-	-	(1,898)	-	(1,898)
Change attributable to group restructure	19	-	-	3	3	-	3
Movement in non-controlling interests		-	-	(9)	(9)	(403)	(412)
Other equity movements:							
Tax contribution from MGL attributable to group restructure	18	2	-	-	2	-	2
Contribution from MGL in relation to share-based payments	18	56	-	-	56	-	56
		(1,840)	-	(6)	(1,846)	(403)	(2,249)
Balance as at 31 Mar 2022		**6,018**	**(387)**	**3,061**	**8,692**	**126**	**8,818**
Profit from continuing and discontinued operations after income tax		**-**	**-**	**1,181**	**1,181**	**(30)**	**1,151**
Other comprehensive income, net of tax		**-**	**858**	**10**	**868**	**17**	**885**
Total comprehensive income/(loss)		**-**	**858**	**1,191**	**2,049**	**(13)**	**2,036**
Transactions with equity holder in their capacity as ordinary equity holder:							
Return of capital to MGL	18	**(1,000)**	**-**	**-**	**(1,000)**	**-**	**(1,000)**
Issue of shares to MGL on retraction of exchangeable shares	18	**17**	**-**	**-**	**17**	**-**	**17**
Movement in non-controlling interests		**-**	**-**	**(8)**	**(8)**	**63**	**55**
Other equity movements:							
Tax contribution from MGL attributable to group restructure	18	**1**	**-**	**-**	**1**	**-**	**1**
Contribution from MGL in relation to share based payments	18	**(7)**	**-**	**-**	**(7)**	**-**	**(7)**
		(989)	**-**	**(8)**	**(997)**	**63**	**(934)**
Balance as at 31 Mar 2023		**5,029**	**471**	**4,244**	**9,744**	**176**	**9,920**

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

Consolidated statement of cash flows

For the financial year ended 31 March 2023

	Notes	2023 $m	2022 $m
Cash flows generated from operating activities			
Interest income and expense:			
Received		**2,254**	891
Paid		**(1,770)**	(524)
Fee, commissions and other income and charges:			
Received		**2,595**	2,913
Paid		**(751)**	(183)
Operating lease income received		**152**	97
Dividends and distributions received		**117**	221
Operating expenses paid:			
Employment expenses		**(1,604)**	(1,740)
Other operating expenses including brokerage, commission and fee expenses		**(1,592)**	(1,251)
Income tax paid		**(494)**	(618)
Changes in operating assets:			
Loan assets, receivables and balances with related body corporate entities		**(1,707)**	12,303
Other assets		**(263)**	(109)
Assets under operating lease		**(176)**	(76)
Trading, trading-related and collateralised lending balances (net of liabilities)		**3,438**	(457)
Changes in operating liabilities:			
Borrowings and other funding		**1,907**	944
Issued debt securities		**-**	(30)
Other liabilities		**55**	(28)
Net cash flows generated from operating activities	20	**2,161**	12,353
Cash flows generated from/(utilised in) investing activities			
Net payments for financial investments		**(184)**	(3,463)
Associates, joint ventures, subsidiaries and businesses:			
Proceeds from distribution or disposal, net of cash deconsolidated		**3,168**	4,247
Payments for additional contribution or acquisitions, net of cash acquired		**(822)**	(1,859)
Property, plant and equipment, investment property and intangible assets:			
Payments for acquisitions		**(354)**	(756)
Proceeds from disposals		**-**	37
Net cash flows generated from/(utilised in) investing activities		**1,808**	(1,794)
Cash flows utilised in financing activities			
Proceeds from the issue of ordinary shares		**17**	-
Loan Capital:			
Issuance	20	**500**	–
Redemption		**-**	–
Return of Capital		**(1,000)**	(1,898)
(Payments to)/receipts from non-controlling interests		**70**	(325)
Net cash flows utilised in financing activities		**(413)**	(2,223)
Net increase in cash and cash equivalents		**3,556**	8,336
Cash and cash equivalents at the beginning of the financial year		**16,059**	7,736
Effect of exchange rate movements on cash and cash equivalents		**1,510**	(13)
Cash and cash equivalents at the end of the financial year	20	**21,125**	16,059

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

Notes to the financial statements

For the financial year ended 31 March 2023

Note 1
Basis of preparation

This Financial Report is a General Purpose Financial Report which has been prepared in accordance with *Australian Accounting Standards and the Corporations Act 2001* (Cth).

MFHPL is a for-profit Company for the purposes of preparing this Financial Report. MFHPL prepares Consolidated financial statements and has provided separate Parent information under Note 35 *Company financial information.*

The principal accounting policies adopted in the preparation of this Financial Report are set out below and in Note 37 *Significant accounting policies*. These policies have been consistently applied to all the financial years presented and are applicable to both the Consolidated Entity (MFHPL and its subsidiaries) as well as to the Company (MFHPL), unless otherwise stated.

I. Compliance with IFRS as issued by the IASB

Compliance with Australian Accounting Standards ensures that this 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.

II. Basis of measurement

This Financial Report has been prepared under the historical cost convention except for the following items, as disclosed in the respective accounting policy:

- financial instruments (including derivatives) required to be measured at fair value through profit or loss (FVTPL), financial assets classified as fair value through other comprehensive income (FVOCI) and financial instruments that have been designated as FVTPL (DFVTPL)
- financial assets and liabilities that are otherwise measured on an amortised cost basis but adjusted for changes in fair value attributable to the risk being hedged in qualifying fair value hedge relationships
- non-current assets and disposal groups that have been classified as held for sale and where a disposal group has been impaired to its fair value less costs to sell
- commodity inventories that are measured at fair value less costs to sell in accordance with the broker-trader exemption
- certain other non-financial assets and liabilities that are measured at fair value, such as investment property.

III. Critical accounting estimates and significant judgements

The preparation of this Financial Report in compliance with 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 consolidated Financial Report such as:

- determining the appropriate business model for a group of financial assets which includes determining the level at which the business model condition is applied and whether past or expected sales activity is consistent with a held to collect business model (Note 37(vi))

- assessing whether the cash flows generated by a financial asset constitute solely payment of principal and interest (SPPI) may require the application of judgement, particularly for certain subordinated or non-recourse positions, and in the determination of whether compensation for early termination of a contract is reasonable (Note 37(vi))
- choice of inputs, estimates and assumptions used in the measurement of Expected Credit Loss, including the determination of significant increase in credit risk (SICR), forecasts of economic conditions and the weightings assigned thereto (Note 37(xx) and Note 8)
- timing and amount of impairment of interests in associates and joint ventures and investment in subsidiaries, including the reversal thereof Note 37(xx).
- timing and amount of impairment of goodwill and other identifiable intangible assets and, where applicable, the reversal thereof (Note 37(xx) and Note 11)
- fair value of assets and liabilities including the determination of non-recurring fair values and accounting for day 1 profits or losses for financial instruments (Note 37(ix) and Note 29)
- distinguishing between whether assets or a business is acquired under a business combination, particularly the determination of whether a substantive process exists that, together with an integrated set of activities and assets, significantly contributes to the ability to create an output (Note 37(ii))
- determination of significant influence over associates, joint control over arrangements and control over subsidiaries, including the assessment of whether certain rights are protective or substantive in nature, whether these rights are held in the capacity as agent or principal, and whether the level of involvement in an investee's relevant activities is sufficient to significantly affect the returns generated (Note 37(i))
- recoverability of tax receivables, deferred tax assets and measurement of current and deferred tax liabilities can require significant judgement, particularly where the recoverability of such tax balances relies on the estimation of future taxable profits and management's determination of the likelihood that uncertain tax positions will be accepted by the relevant taxation authority (Note 37(v), Note 3 and Note 12)
- recognition and measurement of certain revenue streams including performance fees from Macquarie-managed funds and other capital market investments and transactions (Note 37(iv))
- recognition and measurement of provisions related to actual and potential claims, determination of contingent liabilities (Note 37(xv) and Note 24)
- application of hedge accounting principles, including the assessment that a forecast transaction is highly probable (Note 37(ix) and Note 26)
- the timing of the derecognition of assets and liabilities following the disposal of an investment, including the measurement of the associated gain or loss (Note 37(i))
- the determination of whether an asset or group of assets is held for sale and/or constitutes a discontinued operation of the Consolidated Entity (Note 33 and Note 37(xxviii))

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

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

IV. New Australian Accounting Standards and amendments to Australia 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 this Financial Report.

V. Other developments

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

IBOR interest rate benchmarks, that are used in a wide variety of financial instruments such as derivatives and lending arrangements, are undergoing reforms. Examples of IBOR include 'LIBOR' (the London Inter-bank Offered Rate), 'EURIBOR' (the Euro Inter-bank Offered Rate), CDOR (the Canadian dollar offered rate) and 'BBSW' (the Australian Bank Bill Swap Rate). The nature of the reforms varies across different jurisdictions. For example, in Australia the existing IBOR benchmark (BBSW) has undergone reform and is expected to continue for the foreseeable future alongside the nominated ARR for AUD which is AUD Overnight Index Average (AONIA).

IBOR including the GBP, JPY, EUR and CHF London Inter-bank Offered Rate (LIBOR), and the 1-week and 2-month tenors for USD LIBOR ceased publication on 31 December 2021. The remaining USD LIBOR tenors and some IBOR's for minor currencies, other than CDOR will cease publication on 30 June 2023. CDOR will cease publication on 28 June 2024.

Industry working groups have worked with authorities and consulted with market participants to develop market practices that may be used to transition existing LIBOR-linked contracts for derivatives, loans, bonds and other financial instruments that mature beyond their respective LIBOR cessation dates, to ARRs. Amongst the issues considered were the key differences between LIBOR and ARRs. LIBOR are term rates which are quoted at the beginning of that period (for example, one-, three-, six-or twelve-month periods) and include a component of bank credit risk. ARRs on the other hand are overnight rates with little or no credit risk. To facilitate the transition of contracts from LIBOR to ARRs on an economically equivalent basis, adjustments for term and credit differences needs to be applied.

As a diversified financial services group with a variety of global products and services, IBOR reforms, including the transition from LIBOR to ARRs, are important changes for the Consolidated Entity.

Impacts on financial reporting

AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform* amended AASB 7 *Financial Instruments: Disclosures* (AASB 7) and AASB 9 *Financial Instruments* (AASB 9) to provide certain relief from applying specific accounting requirements to hedge accounting relationships directly affected by IBOR reform. The relief enables the continuation of hedge accounting for impacted hedge relationships during the period of uncertainty prior to IBOR transition. The Consolidated Entity early adopted these amendments for the year ended 31 March 2020.

In August 2020, AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2 amended standards including AASB 7, AASB 9 and AASB 16 Leases (AASB 16) to address accounting issues following the transition to ARR. The amendments require additional quantitative and qualitative disclosures, and provide certain reliefs from applying specific requirements related to hedge accounting and the modification of financial assets and financial liabilities if certain criteria are met.

Where modifications to a contract, or changes in the basis for determining the contractual cash flows under a contract, are necessitated as a direct consequence of IBOR reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis, the relief allows an entity to reset the yield applied to such an exposure on a prospective basis. Thus, at the time of modification, where the relief applies, there is no impact to the income statement. The relief requires continuation of hedge accounting in circumstances when changes to hedged items and hedging instruments arise as a result of changes required by the IBOR reform.

The amendments, which were mandatorily effective for annual reporting periods beginning on or after 1 January 2021, also require additional quantitative and qualitative disclosures. The Consolidated Entity adopted these amendments for the year ended 31 March 2022.

Note 2
Operating profit from continuing operations before income tax

	2023[1] $m	2022[1] $m
Net interest income		
Interest and similar income:		
Effective interest rate method – Amortised cost	**1,796**	853
Effective interest rate method – FVOCI	**419**	33
Other	**118**	67
Interest and similar expense		
Effective interest rate method – Amortised cost	**(1,810)**	(552)
Net interest income	**523**	401
Fee and commission income		
Mergers and acquisitions, advisory and underwriting fees	**930**	1,390
Brokerage and commissions	**429**	481
Base and performance fees		
Base fees	**167**	149
Performance fees	**3**	180
Other fee and commission income	**229**	188
Total fee and commission income	**1,758**	2,388
Investment Income		
Net gain/(loss) from:		
Interests in associates and joint ventures	**1,700**	181
Disposal of subsidiaries and businesses	**401**	2,327
Financial investments	**(75)**	226
Non-financial assets	**(14)**	15
Total investment income	**2,012**	2,749

1. Income and expenses related to the discontinued operations have been presented as part of 'Profit from discontinued operations after income tax'. Refer to Note 33 *Assets, liabilities and disposal groups classified as held for sale and discontinued operations.*

	2023[1] $m	2022[1] $m
Net trading income[2]		
Commodities trading[3]	**293**	138
Credit, interest rate, foreign exchange and other products	**33**	(141)
Equities trading	**42**	39
Net trading income	**368**	36
Share of net losses from associates and joint ventures	**(238)**	(131)
Credit and other impairment charges		
Credit impairment (charges)/reversal		
Loan assets	**(243)**	(179)
Loans to associates and joint ventures	**6**	(40)
Margin money and settlement assets	**9**	2
Financial investments, other assets, off balance sheet exposures[4]	**(49)**	(13)
Gross credit impairment charges	**(277)**	(230)
Recovery of amounts previously written off	**2**	-
Net credit impairment charges	**(275)**	(230)
Other impairment charges		
Interests in associates and joint ventures	**(50)**	(306)
Intangible and other non-financial assets	**(3)**	(54)
Net other impairment charges	**(53)**	(360)
Total credit and other impairment charges	**(328)**	(590)
Net other operating income		
Net operating lease income		
Rental income	**137**	97
Depreciation	**(49)**	(34)
Net operating lease income	**88**	63
Businesses and subsidiaries held for investment purposes[5]		
Net operating revenue[6]	**411**	447
Expenses[7]	**(610)**	(473)
Net loss from businesses and subsidiaries held for investment purposes	**(199)**	(26)
Other income	**32**	13
Total net other operating (charges)/income	**(79)**	50
Net operating income	**4,016**	4,903

1. Income and expenses related to the discontinued operations have been presented as part of 'Profit from discontinued operations after income tax'. Refer to Note 33 *Assets, liabilities and disposal groups classified as held for sale and discontinued operations*.
2. Includes fair value movements on trading assets and liabilities, ineffective portion of designated hedge relationships; fair value changes on derivatives used to economically hedge the Consolidated Entity's interest rate risk and foreign currency gains and losses on foreign-denominated monetary assets and liabilities. Refer to Note 37(ix) *Derivative instrument and hedging activities.*
3. Includes $155 million (2022: $99 million) of transportation, storage and certain other trading-related costs and $10 million (2022: $39 million) depreciation on right-of-use (ROU) assets held for trading-related businesses.
4. Includes the ECL on due from related body corporate entities.
5. Businesses and subsidiaries held for investment purposes are consolidated entities that are held with the ultimate intention to sell as part of Macquarie's investment activities.
6. Includes revenue of $618 million (2022: $1,176 million) before deduction of $207 million (2022: $729 million) related to cost of goods sold.
7. Includes employment expenses, depreciation and amortisation expenses and other operating expenses.

	2023[1] $m	2022[1] $m
Employment expenses		
Salary and related costs including commissions, superannuation and performance-related profit share	**(1,135)**	(1,356)
Share based payments	**(219)**	(211)
Provision for long service leave and annual leave	**(8)**	(15)
Total compensation expenses	**(1,362)**	(1,582)
Other employment expenses including on-costs, staff procurement and staff training	**(64)**	(85)
Total employment expenses	**(1,426)**	(1,667)
Service cost recoveries	**(1,014)**	(685)
Brokerage, commission and fee expenses		
Brokerage and other trading-related fee expenses	**(84)**	(87)
Other fee and commission expenses	**(46)**	(54)
Total brokerage, commission and fee expenses	**(130)**	(141)
Non-salary technology expenses		
Information services	**(88)**	(78)
Depreciation on own use asset: equipment (Note 10)	**(3)**	(4)
Service provider and other non-salary technology expenses	**(24)**	(24)
Total non-salary technology expenses	**(115)**	(106)
Other operating expenses		
Occupancy expenses		
Lease expenses	**(37)**	(42)
Depreciation on own use assets: building, furniture, fittings and leasehold improvements (Note 10)	**(19)**	(22)
Other occupancy expenses	**(25)**	(23)
Total occupancy expenses	**(81)**	(87)
Other expenses		
Professional fees	**(131)**	(184)
Indirect and other taxes	**(35)**	(39)
Fees for audit and other services	**(11)**	(15)
Travel and entertainment expenses	**(50)**	(18)
Other	**(97)**	(72)
Total other expenses	**(324)**	(328)
Total other operating expenses	**(405)**	(415)
Total operating expenses	**(3,090)**	(3,014)
Operating profit from continuing operations before income tax	**926**	1,889

1. Income and expenses related to the discontinued operations have been presented as part of 'Profit from discontinued operations after income tax'. Refer to Note *33 Assets, liabilities and disposal groups classified as held for sale and discontinued operations*.

Note 3
Income tax expense

I. Income tax (expense)/benefit

	2023 $m	2022 $m
Current tax expense	**(333)**	(744)
Deferred tax benefit	**21**	183
Total income tax expense	**(312)**	(561)
Income tax expense is attributable to:		
Profit from continuing operations	**(172)**	(449)
Profit from discontinued operations (Note 33)	**(140)**	(112)

II. Reconciliation of income tax expense to *prima facie* income tax expense

	2023 $m	2022 $m
Prima facie income tax expense on operating profit @30% (2022: 30%)	**(439)**	(711)
Tax effect of amounts which are non-assessable/(non-deductible) in calculating taxable income:		
Rate differential on offshore income	**162**	188
Other items	**(35)**	(28)
Gain on sale of discontinued operations	**-**	(10)
Total income tax expense	**(312)**	(561)

III. Tax benefit/(expense) relating to OCI

	2023 $m	2022 $m
Share of other comprehensive benefit/(expense) of associates and joint ventures	**33**	(8)
Cash flow hedges and cost of hedging	**25**	12
FVOCI reserve	**6**	(1)
Foreign currency translation reserve	**-**	3
Total tax benefit relating to OCI	**64**	6

IV. Deferred tax benefit/(expense) represents movements in deferred tax assets and liabilities

	2023 $m	2022 $m
Tax losses	**111**	10
Other assets and liabilities	**37**	124
Intangible assets	**7**	2
Loan assets and derivatives	**5**	45
Property, plant and equipment	**(9)**	(8)
Operating and finance leases	**(42)**	(6)
Financial investments and interests in associates and joint ventures	**(88)**	16
Total deferred tax benefit represents movements in deferred tax assets	**21**	183

Revenue authorities undertake risk reviews and audits as part of their normal activities. The Consolidated Entity has assessed these and other taxation claims and litigation, including seeking advice where appropriate, and considers that it holds appropriate provisions.

Note 4
Settlement, margin money and trading assets

	2023	2022
Settlement and margin money assets		
Security settlements	**4,601**	4,821
Commodity settlements	**852**	508
Margin money	**426**	369
Total settlement and margin money assets	**5,879**	5,698
Trading assets		
Commodities	**788**	106
Debt securities	**170**	206
Listed equity securities	**130**	187
Commodity contracts	**-**	1,360
Total trading assets	**1,088**	1,859
Total settlement, margin money and trading assets	**6,967**	7,557

The above amounts are expected to be recovered within 12 months of the balance date by the Consolidated Entity.

Note 5
Financial investments

	2023 $m	2022 $m
Equity securities:		
Listed	**279**	292
Unlisted	**939**	937
Debt securities:		
Liquid asset holdings	**2,381**	3,657
Bonds, money market and other securities	**569**	641
Total financial investments	**4,168**	5,527

Of the above amounts, $1,388 million (2022: $2,098 million) is expected to be recovered after 12 months of the balance date by the Consolidated Entity.

Note 6
Other assets

	2023 $m	2022 $m
Other financial assets		
Trade debtors and other receivables	**625**	428
Fee and commission receivables	**436**	393
Derivative assets	**293**	275
Other	**29**	12
Total other financial assets	**1,383**	1,108
Other non-financial assets		
Contract assets	**213**	166
Investment properties	**562**	495
Income tax receivables	**286**	462
Inventory held for sale	**270**	224
Prepayments	**112**	121
Indirect taxes and other receivables	**151**	124
Total other non-financial assets	**1,594**	1,592
Total other assets	**2,977**	2,700

Of the above amounts, $1,328 million (2022: $1,061 million) is expected to be recovered after 12 months of the balance date by the Consolidated Entity.

Note 7 Loan assets

	2023			2022		
	Gross $m	ECL allowance[1] $m	Net $m	Gross $m	ECL allowance[1] $m	Net $m
Corporate, commercial and other lending	**16,888**	**(692)**	**16,196**	11,571	(439)	11,132
Home loans	**406**	**-**	**406**	426	(1)	425
Asset financing	**182**	**-**	**182**	154	-	154
Total loan assets	**17,476**	**(692)**	**16,784**	12,151	(440)	11,711

Of the above amounts, $15,510 million (2022: $10,792 million) is expected to be recovered after 12 months of the balance date by the Consolidated Entity.

Finance lease receivables

Finance lease receivables are included within loan assets. The Consolidated Entity provides finance leases to a broad range of clients to support financing needs in acquiring movable assets such as small plant and equipment, electronic and IT equipment. The following table represents the maturity profile of the contractual undiscounted cashflows of the Consolidated Entity.

	CONSOLIDATED 2023			CONSOLIDATED 2022		
	Gross investment in finance lease receivables $m	Unearned income $m	Present value of minimum lease payments receivable $m	Gross investment in finance lease receivables $m	Unearned income $m	Present value of minimum lease payments receivables $m
Within one year	**79**	**(8)**	**71**	73	(6)	67
Between one to two years	**57**	**(5)**	**52**	47	(3)	44
Between two to three years	**34**	**(2)**	**32**	26	(1)	25
Between three to five years	**11**	**-**	**11**	9	-	9
Total	**181**	**(15)**	**166**	155	(10)	145

1. The ECL allowance carried against loan assets measured at FVOCI is not presented in the table as the allowance is Included in reserves. Refer to Note 8 *Expected credit losses.*

Note 8
Expected credit losses

The Consolidated Entity models the Expected Credit Losses (ECL) for on-balance sheet financial assets measured at amortised cost or FVOCI such as loans, debt securities and lease receivables, as well as off-balance sheet items such as undrawn loan commitments, certain financial guarantee contracts and letters of credit.

Model inputs

The Consolidated Entity segments its credit portfolio into representative groupings which are typically based on shared risk characteristics.

The Consolidated Entity has developed several models to predict the ECL. These models incorporate a range of inputs, notably that of Exposure at Default (EAD), Probability of Default (PD) and Loss Given Default (LGD) ('credit inputs') as well as Forward-Looking Information (FLI).

For retail portfolios, behavioural variables are also considered in the determination of inputs for ECL modelling.

The key model inputs used in measuring the ECL include:

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

Significant increase in credit risk (SICR)

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

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

Retail exposures

Exposures are assigned a behavioural score which considers the exposures' lifetime PD on initial recognition. This behavioural score is periodically assessed and updated to reflect changes in the underlying exposures' credit behaviour.

SICR movement thresholds of behavioural score movements between origination and reporting date have been established that, where exceeded, result in the exposure being categorised as Stage II.

Wholesale exposures

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

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

For both retail and wholesale portfolios:

- the AASB 9 'low credit risk' exemption is not applied by the Consolidated Entity to material portfolios
- for material retail portfolios, the credit risk for an exposure or portfolio is generally deemed to have increased significantly if the exposure is more than 30 days past due, unless there are product specific characteristics that indicate that this threshold should be rebutted.

Definition of default

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

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

Forward looking information (FLI)

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

The Consolidated Entity applies its professional judgment in determining whether there are any inherent risks in the models' predictive outcomes. The overlays primarily reflect management's assessment of the current economic and credit environment relative to the FLI credit cycle model. These overlays account for the risk that underlying credit risk events have occurred, but observable modelled inputs are yet to reflect those events, as well as risks that are specific to regions, counterparties or industries which are difficult to account for within the modelled outcomes. Over time the credit models are recalibrated to enhance the predictive capability. At the reporting date this overlay was approximately $250 million (31 March 2022: $175 million). These judgments are reviewed by FMG and RMG at each reporting date.

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

The scenarios have been developed using a combination of publicly available data, internal forecasts and third-party information to form the initial baseline. Internal specialists within the Consolidated Entity are consulted to assist in refining and challenging the baseline and the alternate scenarios. For the current reporting period, the Consolidated Entity has generated three alternate scenarios in addition to the baseline scenario where the alternate scenarios are anchored on a relative basis.

Refinement of the scenarios includes benchmarking to external data from reputable sources. These sources include forecasts published from a range of market economists and official data sources, including major central banks, where available.

Where limited official data sources against which to benchmark key economic indicators on a forward-looking basis exist, management exercises judgement when determining the duration, severity and impact of the macroeconomic scenarios used by the Consolidated Entity.

Assigning probabilities to these scenarios requires professional judgement which draws on internal risk and economics' specialist input and comparison to general market outlooks and publicly available market commentary.

The scenarios and the associated probabilities are ultimately approved by senior risk and finance executives.

The scenarios for each of the key regions where Macquarie's ECL is derived have been set out in the following pages. Noting the diversity of possible scenarios and macroeconomic outcomes, and the continuing uncertainty regarding the implications of events in Ukraine and broader inflationary pressures, these scenarios represent plausible forward-looking views as at the reporting date.

These scenarios impact the modelled ECL provisioning levels through determination of probabilities of default and level of losses that may be incurred should a default occur. The ability of borrowers to service their obligations through personal or business income is generally estimated using unemployment rates, GDP, commodity prices and interest rates. The losses that the Consolidated Entity may incur should a default occur and the collateral utilised is generally estimated through property price and share price index outlooks.

Future economic conditions may differ to the scenarios outlined, the impact of which will be accounted for in future reporting periods.

Scenario	Weighting	Expectation
Baseline A 100% weighting to this scenario would result in a total expected credit loss provision on balance sheet at the reporting date of ~$900 million[1]	Probable	**Global:** The baseline scenario assumes 2023 global GDP growth of around 2.01% year-on-year, slowing from 2.9% in 2022 in the face of inflationary pressures and tighter monetary policy. Interest rates are expected to peak in mid-2023, with rate cuts anticipated in 2024 as inflation eases and growth slows. **Australia**: Growth is expected to slow materially in 2023 to 1.9%, with unemployment increasing by 1 percentage point by Q2 2024, though baseline assumptions are for a recession to be avoided. Policy rate hikes from the Reserve Bank of Australia (RBA) are expected to stop in mid-2023. House prices fell ~8% during 2022 from their peak, and a further ~10% decline is anticipated in 2023 due to pressure on household budgets from interest rates. Equity prices have been more resilient but are assumed to remain relatively constrained over the next 12-18 months. **United States:** Annual GDP growth is projected to slow in 2023, and contract in late 2023 and early 2024 resulting in an overall peak-to-trough fall in GDP of 1.6% over 12 months. As a result, the unemployment rate is projected to increase by 2 percentage points to 5.5% by the end of 2024, with rate cuts to provide support to the economy in early 2024. **Europe:** The Eurozone economy outperformed expectations in 2022, despite the impact of the Russia-Ukraine war, but 2023 is expected to bring growth of just 0.1% as tighter monetary policy and high inflation put pressure on the economy.
Downside A 100% weighting to this scenario would result in a total expected credit loss provision on balance sheet at the reporting date of ~$1,025 million)[1]	Possible	**Global:** The downside scenario projects annual growth in global GDP that is approximately 1 percentage point lower than the baseline scenario baseline until late 2024. **Australia:** The scenario projects stagnation over the 18 months to September 2024 due to continued inflationary pressure and further monetary tightening. Unemployment rises in the scenario to 5.5% by mid-2024 and recedes slowly in low growth environment. House prices are projected to be impacted by higher interest rates, falling ~23% from 2022 highs. **United States:** The scenario projects five quarters of negative or zero growth beginning in mid-2023, resulting in a 3% fall in real GDP. Inflation remains sticky, however, and the US Fed delays rate cuts and the possible boost to the economy until disinflationary trends are clear. Unemployment is projected to increase 3 percentage points to 6.6% by mid-2024. **Europe:** The scenario projects a 2% fall in real GDP over the next 12 months, driving unemployment to around 8%. Equity markets are projected to fall around 7% and fail to recover to prior peaks in the forecast period to 2027.

1. This number provides comparative ECL provision information as at the reporting date assuming the scenarios outlined, but do not reflect changes in the credit rating of the counterparty that may occur if these scenarios were to occur. Changes in credit ratings may have a material impact on these ECL provisions.

Scenario	Weighting	Expectation
Severe Downside A 100% weighting to this scenario would result in a total expected credit loss provision on balance sheet at the reporting date of ~$1,250 million[1]	Possible	**Global:** The scenario projects a sharp slowdown in annual GDP growth, around 3 to 3.5 percentage points lower than the baseline. The global economy is projected to contract by ~2.5% in the next 12 months and stagnate for the subsequent 12 months. **Australia:** The scenario projects five consecutive quarters of contraction in real GDP, resulting in a 2.5% decline in GDP by mid-2024. Unemployment peaks at 7.5% in late 2024, and house prices fall by 30% from their early 2022 peak. **United States:** The scenario projects a 6% fall in GDP to the end of 2024, contracting for seven straight quarters and failing to recover prior output levels by the end of 2027. Unemployment reaches 8.8% by the end of 2024, and house prices fall by over 20%. **Europe:** The scenario projects a recession that extends until mid-2024, and output falls by 4% from current levels. Unemployment rates are projected to peak at ~9% and recede slowly.
Upside A 100% weighting to this scenario would result in a total expected credit loss provision on balance sheet at the reporting date of ~$850 million[1]	Unlikely	**Global:** The upside scenario projects annual growth in global GDP that is approximately 1 percentage point higher than the baseline scenario until late 2024. **Australia:** The scenario projects a slight slowdown in GDP growth to under 2% annually, but growth remains positive throughout. Unemployment rates increase only modestly, remaining below 4.5%. Interest rate rises are sufficient to calm inflation without sharply impacting growth. **United States:** The scenario projects slowing GDP growth to 1% annually and the economy avoids any quarterly contractions. The Fed pauses monetary tightening as inflation recedes, engineering a 'soft landing' scenario. **Europe:** The scenario projects GDP to grow only 0.4% in 2023, including one quarterly contraction. Thereafter growth remains around 2% annually through to 2027 and unemployment stays broadly flat at 6.5–7%.

1. This number provides comparative ECL provision information as at the reporting date assuming the scenarios outlined, but do not reflect changes in the credit rating of the counterparty that may occur if these scenarios were to occur. Changes in credit ratings may have a material impact on these ECL provisions.

The table below presents the gross exposure and related ECL allowance for assets measured at amortised cost or FVOCI and off balance sheet exposures subject to the impairment requirements of AASB 9 *Financial Instruments.*

	GROSS EXPOSURE FOR FINANCIAL ASSETS CARRIED AT				ECL ALLOWANCE ON FINANCIAL ASSETS CARRIED AT			
	Amortised cost $m	FVOCI $m	Other $m	Gross exposure $m	Amortised cost $m	FVOCI $m	Other $m	Total ECL allowance $m
								2023
Cash and bank balances	**3,319**	**-**	**-**	**3,319**	**2**	**-**	**-**	**2**
Reverse repurchase agreements	**-**	**11,122**	**-**	**11,122**	**-**	**1**	**-**	**1**
Settlement, margin money and trading assets	**5,886**	**-**	**-**	**5,886**	**7**	**-**	**-**	**7**
Financial investments	**-**	**2,399**	**-**	**2,399**	**-**	**1**	**-**	**1**
Held for sale and other assets[1]	**1,295**	**-**	**213**	**1,508**	**21**	**-**	**-**	**21**
Loan assets	**16,101**	**646**	**-**	**16,747**	**691**	**128**	**-**	**819**
Due from related body corporate entities	**18,076**	**9**	**-**	**18,085**	**8**	**-**	**-**	**8**
Loans to associates and joint ventures	**479**	**-**	**-**	**479**	**60**	**-**	**-**	**60**
Off balance sheet exposures	**-**	**-**	**14,437**	**14,437**	**-**	**-**	**67**	**67**
Total	**45,156**	**14,176**	**14,650**	**73,982**	**789**	**130**	**67**	**986**
								2022
Cash and bank balances	3,027	-	-	3,027	3	-	-	3
Reverse repurchase agreements	-	8,649	-	8,649	4	-	-	4
Settlement, margin money and trading assets	5,714	-	-	5,714	16	-	-	16
Financial investments	-	3,679	-	3,679	-	1	-	1
Held for sale and other assets[1]	1,076	18	209	1,303	4	-	-	4
Loan assets	11,586	284	-	11,870	440	59	-	499
Due from related body corporate entities	13,715	9	-	13,724	4	-	-	4
Loans to associates and joint ventures	572	76	-	648	63	33	-	96
Off balance sheet exposures	-	-	13,345	13,345	-	-	38	38
Total	35,690	12,715	13,554	61,959	534	93	38	665

Loan assets continue to represent the Consolidated Entity's most significant component of credit exposures on which ECL allowances are carried. The credit quality of the Consolidated Entity's loan assets, is monitored through its credit policies, as set out in Note 27.1 *Credit risk.*

1. Other exposures included in other assets represent fee-related contract assets.

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

	Cash and bank balances $m	Reverse repurchase agreements $m	Settlement, margin money and trading assets $m	Financial investments $m	Held for sale and other assets $m	Loan assets $m	Due from related body corporate entities $m	Loans to associates and joint ventures $m	Off balance sheet exposures $m	Total $m
Balance as at 1 Apr 2021	-	-	17	-	25	405	6	58	33	544
Credit impairment charge/(reversal) (Note 2)	-	-	(2)	1	7	179	(1)	40	6	230
Amounts written off, previously provided for	-	-	-	-	(13)	(89)	-	-	-	(102)
Reclassifications, foreign exchange and other movements	3	4	1	-	(15)	4	(1)	(2)	(1)	(7)
Balance as at 31 Mar 2022	3	4	16	1	4	499	4	96	38	665
Credit impairment charge/(reversal) (Note 2)	**(1)**	**(3)**	**(9)**	**-**	**23**	**243**	**6**	**(6)**	**24**	**277**
Reclassifications, foreign exchange and other movements	**-**	**-**	**-**	**-**	**(6)**	**77**	**(2)**	**(30)**	**5**	**44**
Balance as at 31 Mar 2023	**2**	**1**	**7**	**1**	**21**	**819**	**8**	**60**	**67**	**986**

ECL on loan assets

The table below provides a reconciliation of the ECL allowance on loan assets to which the impairment requirements under AASB 9 *Financial Instruments* are applied.

		LIFETIME ECL		
	Stage I 12 month ECL $m	Stage II Not credit impaired $m	Stage III Credit impaired $m	Total ECL Allowance $m
Balance as at 1 Apr 2021	105	78	222	405
Transfers during the year	9	(38)	29	-
Credit impairment charges/(reversals) (Note 2)	159	58	(38)	179
Amount written off, previously provided for	-	-	(89)	(89)
Reclassifications, foreign exchange and other movements	(3)	1	6	4
Balance as at 31 Mar 2022	270	99	130	499
Transfers during the year	**(29)**	**26**	**3**	**-**
Credit impairment charges (Note 2)	**33**	**145**	**65**	**243**
Reclassifications, foreign exchange and other movements	**50**	**(13)**	**40**	**77**
Balance as at 31 Mar 2023	**324**	**257**	**238**	**819**

Note 9

Interests in associates and joint ventures

	2023 $m	2022 $m
Equity investments with no provisions for impairment	**891**	779
Equity investments with provisions for impairment		
Gross carrying value[1]	**1,080**	828
Less: provisions for impairment	**(461)**	(387)
Equity investments with provisions for impairment	**619**	441
Total equity investments in associates and joint ventures[2]	**1,510**	1,220
Loans to associates and joint ventures	**1,009**	980
Less: credit impairment charges	**(60)**	(63)
Total loans to associates and joint ventures	**949**	917
Total interests in associates and joint ventures[3,4]	**2,459**	2,137

The majority of the above amounts are expected to be recovered after 12 months of the balance date by the Consolidated Entity.

Principal associate

The Consolidated Entity's principal associate at the balance date is:

Associates	Carrying value 2023 $m	Carrying value 2022 $m	Ownership interest	Nature of activities	Financial reporting date
Macquarie AirFinance Limited	**880**	594	50%	Aircraft leasing	31 March

Macquarie AirFinance Limited

The Consolidated Entity holds 50% interest in Macquarie AirFinance Limited (MAF) under the MAM operating group and accounts for it as an equity-accounted associate due to having significant influence.

During the current year, MAF committed to acquire a portfolio of aircraft which will be funded through debt and equity. As at balance date, the Consolidated Entity has an undrawn equity commitment of $374 million to MAF to fund the acquisition of the aircraft portfolio.

An assessment of impairment indicators on an aircraft-by-aircraft basis was undertaken by MAF. For aircraft with impairment indicators, recoverable value was compared to the carrying value. The recoverable value of the Consolidated Entity's investment in MAF was also considered with no adjustment made to carrying value as at balance date.

1. Represents the carrying value after equity-accounted gains and losses, if any.
2. Includes investments in Macquarie-managed funds of $90 million (2022: $109 million). The Consolidated Entity classifies its investments in these funds as equity-accounted associates where it has a less than 20% ownership interest on the basis of its ability to participate in the financial and operating policy decisions through its role as general partner or manager.
3. Comprises $1,268 million (2022: $1,015 million) relating to interests in associates and $1,191 million (2022: $1,122 million) relating to interests in joint ventures.
4. Financial statements of associates and joint ventures have been adjusted to align with the Consolidated Entity's reporting date, where the reporting date differs.

Note 10
Property, plant and equipment and right-of-use assets

	2023			2022		
	Cost $m	Accumulated depreciation and impairment $m	Carrying value $m	Cost $m	Accumulated depreciation and impairment $m	Carrying value $m
Assets for own use						
Infrastructure assets	**530**	**(48)**	**482**	187	(24)	163
Furniture, fittings and leasehold improvements	**216**	**(146)**	**70**	404	(178)	226
Others	**136**	**(64)**	**72**	61	(27)	34
Total assets for own use	**882**	**(258)**	**624**	652	(229)	423
Assets under operating lease						
Aviation	**1,274**	**(217)**	**1,057**	1,025	(159)	866
Others	**204**	**(24)**	**180**	130	(7)	123
Total assets under operating lease	**1,478**	**(241)**	**1,237**	1,155	(166)	989
Right-of-use assets						
Office premises	**289**	**(150)**	**139**	246	(121)	125
Commodity storage	**28**	**(13)**	**15**	63	(45)	18
Other	**30**	**(3)**	**27**	26	(2)	24
Total right-of-use assets	**347**	**(166)**	**181**	335	(168)	167
Total property, plant and equipment and right-of-use assets[1]	**2,707**	**(665)**	**2,042**	2,142	(563)	1,579

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

1. Includes $1,346 million (2022: $1,119 million) related to the Consolidated Entity's integrated consolidated businesses and $696 million (2022: $460 million) related to the Consolidated Entity's subsidiaries held for investment purposes with the ultimate intention to sell as part of Macquarie's investment activities.

The movement in the carrying value of the Consolidated Entity's property, plant and equipment was as follows:

	Infrastructure assets $m	Furniture, fittings and leasehold improvements $m	Other $m	Total $m
Assets for own use				
Balance as at 1 Apr 2021	286	286	45	617
Acquisitions and additions	363	106	47	516
Disposals	(3)	(19)	(15)	(37)
Depreciation expense[1]	(11)	(46)	(8)	(65)
Impairments	(3)	(26)	-	(29)
Reclassifications and other adjustments	(440)	(72)	(32)	(544)
Foreign exchange movements	(29)	(3)	(3)	(35)
Balance as at 31 Mar 2022[2]	163	226	34	423
Acquisitions and additions	**287**	**20**	**16**	**323**
Disposals	**(55)**	**(5)**	**-**	**(60)**
Depreciation expense[1]	**(26)**	**(20)**	**(7)**	**(53)**
Impairments	**-**	**-**	**-**	**-**
Reclassifications and other adjustments	**90**	**(158)**	**28**	**(40)**
Foreign exchange movements	**23**	**7**	**1**	**31**
Balance as at 31 Mar 2023[2]	**482**	**70**	**72**	**624**

	Aviation $m	Other $m	Total $m
Assets under operating lease			
Balance as at 1 Apr 2021	843	98	941
Acquisitions and additions	55	31	86
Disposals	(7)	-	(7)
Depreciation expense	(34)	(4)	(38)
Impairments	-	-	-
Reclassifications and other adjustments	(4)	(1)	(5)
Foreign exchange movements	13	(1)	12
Balance as at 31 Mar 2022	866	123	989
Acquisitions and additions	**146**	**99**	**245**
Disposals	**(22)**	**(35)**	**(57)**
Depreciation expense	**(34)**	**(20)**	**(54)**
Impairments	**(4)**	**-**	**(4)**
Reclassifications and other adjustments	**-**	**1**	**1**
Foreign exchange movements	**105**	**12**	**117**
Balance as at 31 Mar 2023	**1,057**	**180**	**1,237**

1. Includes depreciation expense of $26 million (2022: $8 million) on infrastructure assets, $4 million (2022: $4 million) on Others and $1 million (2022: $24 million) on furniture, fittings and leasehold improvements relating to subsidiaries that are held for investment purposes and presented under other operating income and charges in Note 2 *Operating profit from continuing operations before income tax.*

2. Includes $299 million (2022: $107 million) capital work in progress related to Macquarie Infrastructure projects.

The movement in the carrying value of the Consolidated Entity's ROU assets was as follows:

	Office Premises $m	Commodity Storage $m	Other $m	Total $m
Right-of-use assets				
Balance as at 1 Apr 2021	164	38	38	240
Acquisitions and additions	27	23	71	121
Disposals	(21)	-	(74)	(95)
Depreciation expense[1]	(42)	(39)	(3)	(84)
Impairments	(4)	-	-	(4)
Foreign exchange movements	1	1	2	4
Others	-	(5)	(10)	(15)
Balance as at 31 Mar 2022	125	18	24	167
Acquisitions and additions	**50**	**4**	**4**	**58**
Disposals	**(6)**	**-**	**(6)**	**(12)**
Depreciation expense[1]	**(41)**	**(10)**	**(1)**	**(52)**
Impairments	**-**	**-**	**-**	**-**
Foreign exchange movements	**11**	**3**	**2**	**16**
Others	**-**	**-**	**4**	**4**
Balance as at 31 Mar 2023	**139**	**15**	**27**	**181**

The future minimum lease payments expected to be received under non-cancellable operating leases are as follows:

Assets under operating lease	2023 $m	2022 $m
Within one year	**134**	88
Between one to two years	**111**	71
Between two to three years	**96**	52
Between three to four years	**82**	40
Between four to five years	**71**	31
Later than five years	**243**	127
Total future minimum lease payments receivable	**737**	409

1. Includes depreciation expense of $4 million (2022: $2 million) on office premises relating to subsidiaries that are held for investment purposes and presented under other operating income and charges in Note 2 *Operating profit from continuing operations before income tax.*

Note 11
Intangible assets

	2023			2022		
	Cost $m	Accumulated amortisation and impairment $m	Carrying value $m	Cost $m	Accumulated amortisation and impairment $m	Carrying value $m
Intangible assets with indefinite lives:						
Goodwill	**564**	**-**	**564**	545	-	545
Intangible assets with definite lives:						
Management rights and licenses	**60**	**(33)**	**27**	278	(61)	217
Customer and servicing contracts	**278**	**(36)**	**242**	215	(13)	202
Other identifiable intangible assets	**166**	**(34)**	**132**	62	(13)	49
Total intangible assets[1]	**1,068**	**(103)**	**965**	1,100	(87)	1,013

The above amounts are expected to be recovered after 12 months of the balance date by the Consolidated Entity.

In accordance with the Consolidated Entity's accounting policies, assets with an indefinite useful life are tested on an annual basis for impairment, and additionally, along with assets with a definite useful life, whenever an indication of impairment exists. An impairment loss is recognised for the amount by which the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal or its value-in-use. There were no significant impairment indicators during the year.

1. Includes $98 million (2022: $96 million) related to the Consolidated Entity's core business operations and $867 million (2022: $917 million) related to the Consolidated Entity's subsidiaries held for investment purposes with the ultimate intention to sell as part of Macquarie's investment activities.

The movement in the carrying value of the Consolidated Entity's intangible assets is as follows:

	INTANGIBLE ASSETS WITH INDEFINITE LIVES	INTANGIBLE ASSETS WITH DEFINITE LIVES			
	Goodwill $m	**Management rights and license $m**	**Customer and servicing contracts $m**	**Other identifiable intangible assets $m**	**Total $m**
Balance as at 1 Apr 2021	729	218	131	194	1,272
Acquisitions[1]	434	28	172	26	660
Impairment	(8)	(19)	-	1	(26)
Amortisation	-	(7)	(9)	(11)	(27)
Disposals and reclassifications	(629)	(3)	(87)	(164)	(883)
Foreign exchange movements and other adjustments	19	-	(5)	3	17
Balance as at 31 Mar 2022	545	217	202	49	1,013
Acquisitions[1]	**56**	**-**	**21**	**26**	**103**
Amortisation	**-**	**(5)**	**(22)**	**(21)**	**(48)**
Disposals and reclassifications	**(12)**	**(191)**	**-**	**(8)**	**(211)**
Foreign exchange movements other adjustments	**(25)**	**6**	**41**	**86**	**108**
Balance as at 31 Mar 2023	**564**	**27**	**242**	**132**	**965**

1. Includes intangible assets acquired as part of business combinations and otherwise. Refer to Note 34 *Acquisitions and disposals of subsidiaries and businesses* for Intangible assets acquired as part of business combinations.

Note 12
Deferred tax assets/(liabilities)

The balance comprises temporary differences attributable to:

	2023 $m	2022 $m
Other assets and liabilities	**590**	456
Interests in financial investments, associates and joint ventures	**487**	292
Tax losses	**249**	137
Loan assets and derivatives	**69**	65
Intangibles	**36**	18
Property, plant and equipment	**34**	10
Operating and finance leases	**26**	14
Set-off of deferred tax liabilities	**(773)**	(358)
Net deferred tax assets	**718**	634
Interests in financial investments, associates and joint ventures	**(322)**	(124)
Operating and finance leases	**(188)**	(133)
Other assets and liabilities	**(133)**	(33)
Intangible assets	**(79)**	(58)
Loan assets and derivatives	**(72)**	(59)
Property, plant and equipment	**(31)**	(8)
Set-off of deferred tax assets	**773**	358
Net deferred tax liabilities	**(52)**	(57)

The above amounts are expected to be recovered after 12 months of the balance date by the Consolidated Entity.

Potential tax assets of approximately $304 million (2022: $235 million) attributable to tax losses carried forward by subsidiaries and other timing differences have not been brought to account in the Consolidated Entity as the Directors do not believe that the realisation of the tax assets is probable. Included in this amount are gross losses of $1 million (2022: $1 million) that will expire within two years, $141 million (2022: $128 million) that will expire in 2–5 years, $127 million (2022: $101 million) that will expire in 5–10 years and $237 million (2022: $191 million) that will expire in 10–20 years. $519 million (2022: $484 million) do not expire and can be carried forward indefinitely. Approximately $6 million (2022: $5 million) of tax assets relating to losses are available within subsidiary investments that have been classified as held for sale.

Note 13
Settlement, margin money and trading liabilities

	2023 $m	2022 $m
Settlement and margin money liabilities		
Security settlements	**4,408**	4,878
Commodity settlements	**1,138**	594
Margin money	**23**	109
Total settlement and margin money liabilities	**5,569**	5,581
Trading liabilities		
Listed equity securities	**57**	79
Debt securities	**-**	5
Total trading liabilities	**57**	84
Total settlement, margin money and trading liabilities	**5,626**	5,665

Note 14
Other liabilities

	2023 $m	2022 $m
Other financial liabilities		
Creditors	**409**	342
Derivative liabilities	**264**	267
Lease liabilities	**229**	206
Commodity-related payables	**212**	20
Unitholder liabilities	**-**	495
Other	**66**	18
Total other financial liabilities	**1,180**	1,348
Other non-financial liabilities		
Employment-related liabilities	**825**	952
Accrued charges, provisions and other payables[1]	**310**	296
Income tax provision[2]	**283**	330
Income received in advance	**145**	79
Other	**127**	104
Total other non-financial liabilities	**1,690**	1,761
Total other liabilities	**2,870**	3,109

1. Includes provisions recognised for actual and potential claims and proceedings that arise in the ordinary course of business. The range of likely outcomes and increase in provisions during the current year in each of these matters did not have, and is not currently expected to have, a material impact on the Consolidated Entity.
2. Revenue authorities undertake risk reviews and audits as part of their normal activities. The Consolidated Entity has assessed these and other taxation claims and litigation, including seeking external advice where appropriate, and considers that it holds appropriate provisions.

Note 15
Issued debt securities

	2023 $m	2022 $m
Bonds	**2,936**	2,707
Exchangeable shares[1]	**-**	17
Total issued debt securities	**2,936**	2,724

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

Reconciliation of issued debt securities by major currency:

(In Australian dollar equivalent)

	2023	2022
United States dollars	**2,928**	2,699
Others	**8**	25
Total issued debt securities	**2,936**	2,724

1. Includes exchangeable shares issued by subsidiaries as consideration for the acquisition of Orion Financial Inc. and Tristone Capital Global Inc. Refer to Note 18 *Contributed equity* for further details on exchangeable shares.

Note 16
Capital management

Capital management strategy

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

The Consolidated Entity's capital management objectives are to maintain sufficient capital resources to:

- support the Consolidated Entity's business and operational requirements
- safeguard the Consolidated Entity's ability to continue as a going concern
- support the Consolidated Entity's credit rating.

The Consolidated Entity's capital management strategy uses internal measures of capital. The Consolidated Entity has developed an Economic Capital Adequacy Model (ECAM) that complements the management of specific risk types such as equity, credit, market and operational risk as well as providing an aggregate view of the Consolidated Entity's risk profile. The economic capital model is used to support business decision-making and has three main applications:

- capital adequacy assessment
- risk appetite setting
- risk-adjusted performance measurement.

The Consolidated Entity is required to maintain capital as calculated using the Consolidated Entity's ECAM.

In determining capital requirements, transactions internal to the Consolidated Entity are eliminated. The Consolidated Entity's eligible capital consists of contributed equity, retained earnings, certain reserves and hybrid instruments.

The Consolidated Entity has satisfied all internally imposed capital requirements throughout the financial year.

Note 17
Loan capital

Subordinated debt

Subordinated debt comprises of agreements between the Consolidated Entity and its lenders that provide that, in the event of liquidation, entitlement of such lenders to repayment of the principal sum and interest thereon is and shall at all times be and remain subordinated to the rights of all other present and future creditors of the Consolidated Entity.

The table below highlights key capital instruments with conditional repayment obligations issued by the Consolidated Entity:

Contract feature	Internal Capital Notes	Internal Capital Notes	Internal Capital Notes	Internal Capital Notes
Code	ICN Series 1	ICN Series 2	ICN Series 3	ICN Series 4
Issuer	Macquarie Financial Holdings Pty Limited	Macquarie Financial Holdings Pty Limited	Macquarie Financial Holdings Pty Limited	Macquarie Financial Holdings Pty Limited
Par value	$100	$100	$100	$100
Currency	AUD	AUD	AUD	AUD
Principal amount	$1,000 million	$406 million	$725 million	$500 million
Accounting measurement basis	Financial liability at amortised cost	Financial liability at amortised cost	Financial liability at amortised cost	Financial liability at amortised cost
Issue date	31 March 2021	31 March 2021	31 March 2021	12 July 2022
Interest rate	30-day BBSW plus a fixed margin of 4.00% per annum, paid monthly	30-day BBSW plus a fixed margin of 4.15% per annum, paid monthly	30-day BBSW plus a fixed margin of 2.90% per annum, paid monthly	30-day BBSW plus a fixed margin of 3.70% per annum, paid monthly
Interest payment frequency	Monthly	Monthly	Monthly	Monthly
Interest Payment	Discretionary, non-cumulative	Discretionary, non-cumulative	Discretionary, non-cumulative	Discretionary, non-cumulative
Outstanding notes at reporting date	10 million	4.06 million	7.25 million	5 million
Maturity	Perpetual unless redeemed, or exchanged in accordance with the terms of the instrument.	Perpetual unless redeemed, or exchanged in accordance with the terms of the instrument.	Perpetual unless redeemed, or exchanged in accordance with the terms of the instrument.	Perpetual unless redeemed, or exchanged in accordance with the terms of the instrument.

The table below discloses the carrying value of loan capital as at 31 March:

	2023 $m	**2022 $m**
Instruments with conditional repayment obligations:		
ICN Series 1	**1,000**	1,000
ICN Series 2	**406**	406
ICN Series 3	**725**	725
ICN Series 4	**500**	-
Accrued Interest payable as per terms of instruments:		
Less than 12 months	**9**	4
Total loan capital	**2,640**	2,135

The Consolidated Entity has not had any defaults of principal, interest or other breaches with respect to loan capital during the financial years reported.

Note 18
Contributed equity

	2023 Number of Shares	2022 Number of Shares	2023 $m	2022 $m
Ordinary share capital			**11,368**	12,351
Restructure reserve			**(6,805)**	(6,805)
Additional paid in capital			**466**	472
Total contributed equity			**5,029**	6,018
I. Ordinary share capital[1]				
Balance at the beginning of the financial year	**29,811,401,917**	29,811,401,161	**12,351**	14,249
Issue of shares to MGL on retraction of exchangeable shares	**92,380**	756	**17**	–
Return of capital to MGL	**-**	–	**(1,000)**	(1,898)
Balance at the end of the financial year	**29,811,494,297**	29,811,401,917	**11,368**	12,351
II. Restructure reserve[2]				
Balance at the beginning of the financial year			**(6,805)**	(6,805)
Balance at the end of the financial year			**(6,805)**	(6,805)
III. Additional paid in capital				
Balance at the beginning of the financial year			**472**	414
Tax contribution for business acquired under group restructure			**1**	2
(Return of)/additional paid in capital for Macquarie Group Employee Retained Equity Plan (MEREP)[3]			**(7)**	56
Balance at the end of the financial year			**466**	472

1. Ordinary shares have no par value.
2. Relates to the difference between the acquisition price and the book value of the net assets acquired under common control transactions.
3. Macquarie Group Employee Retained Equity Plan (MEREP) awards are primarily settled in shares of MGL. Where MEREP awards are issued by MGL to employees of the Consolidated Entity and MGL is not subsequently reimbursed by the Consolidated Entity, the Consolidated Entity recognises the grant date fair value of the award net of tax as a capital contribution from MGL. If issued awards expire, the reversal of the original contribution is recognised as a return of capital. For further information regarding the terms and conditions of MEREP refer to Note 23 *Employee equity participation.*

Note 19
Reserves, retained earnings and non-controlling interests

I. Reserves

	2023 $m	2022 $m
Foreign currency translation reserve		
Balance at the beginning of the financial year	**(254)**	(201)
Foreign exchange movement on translation and hedge accounting of foreign operations, net of tax	**616**	(53)
Balance at the end of the financial year	**362**	(254)
FVOCI reserve		
Balance at the beginning of the financial year	**12**	-
Revaluation movement, net of tax	**(18)**	1
Changes in ECL allowance, net of tax	**27**	11
Balance at the end of the financial year	**21**	12
Cash flow hedge reserve		
Balance at the beginning of the financial year	**(20)**	(14)
Revaluation movement, net of tax	**32**	(15)
Transferred to income statement on realisation, net of tax	**55**	9
Balance at the end of the financial year	**67**	(20)
Cost of hedging reserve		
Balance at the beginning of the financial year	**-**	-
Revaluation movement, net of tax	**6**	-
Balance at the end of the financial year	**6**	-
Share of reserves in associates and joint ventures		
Balance at the beginning of the financial year	**(125)**	(184)
Share of other comprehensive income of associates and joint ventures, net of tax	**140**	59
Balance at the end of the financial year	**15**	(125)
Total reserves at the end of the financial year	**471**	(387)

II. Retained earnings

	2023 $m	2022 $m
Balance at the beginning of the financial year	**3,061**	1,501
Profit attributable to the ordinary equity holder of MFHPL (Note 2)	**1,181**	1,566
Loss on change in non-controlling interest	**(8)**	(9)
Change attributable to group restructure	**-**	3
Remeasurement of defined benefit plans	**10**	-
Balance at the end of the financial year	**4,244**	3,061

III. Non-controlling interests

	2023	2022
Share capital	**448**	434
Reserves	**(53)**	(127)
Accumulated losses	**(219)**	(181)
Total non-controlling interests	**176**	126

Note 20
Notes to the statement of cash flows

I. Reconciliation of cash and cash equivalents

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

	2023 $m	2022 $m
Due from related body corporate entities[1]	**5,820**	4,731
Cash and bank balances[2,3]	**2,719**	2,154
Reverse repurchase agreements	**11,122**	8,649
Financial investments	**1,448**	414
Held for sale assets	**16**	111
Cash and cash equivalents at the end of the financial year	**21,125**	16,059

II. Reconciliation of profit after income tax to net cash flows generated from/(utilised in) operating activities

	2023 $m	2022 $m
Profit after income tax	**1,151**	1,808
Adjustments to profit after income tax:		
Depreciation and amortisation	**149**	145
Expected credit losses and other impairment charges	**328**	596
Investment income and gain on sale of operating lease assets and other non-financial assets	**(2,059)**	(2,912)
Share-based payments expense	**240**	256
Share of net losses of associates and joint ventures	**185**	131
Changes in assets and liabilities:		
Issued debt securities	**-**	(30)
Trading and related assets, and collateralised lending balances (net of Liabilities)	**2,884**	(530)
Carrying values of associates due to dividends received	**99**	11
Borrowings and other funding	**1,907**	944
Interest, fee and commissions receivable and payable	**(549)**	(365)
Tax balances	**(181)**	(56)
Assets under operating lease	**(176)**	(76)
Other assets and liabilities	**(208)**	(137)
Debtors, prepayments, accrued charges and creditors	**70**	265
Loan assets and balances with related body corporate entities	**(1,679)**	12,303
Net cash flows generated from operating activities	**2,161**	12,353

1. Balance comprises of $4,077 million (2022: $3,369 million) short term deposits held with MBL, a related body corporate entity.
2. Amounts excluded from cash and cash equivalents but presented in the Statement of financial position as cash and bank balances primarily relates to $63 million (2022: $106 million) of funds received from clients which are segregated from the Consolidated Entity's own funds and other balances of $535 million (2022: $767 million) not readily available to meet the Consolidated Entity's short-term cash commitments.
3. Include $589 million (2022: $418 million) of balances held by consolidated SEs that are restricted from use by the Consolidated Entity, balances required to be maintained with central banks and other regulatory authorities and balances held in countries where remittance of cash outside the country is subject to certain restrictions.

III. Reconciliation of loan capital

	2023 $m	2022 $m
Balance at the beginning of the financial year	**2,135**	2,131
Cash flows:		
Issuance	**500**	-
Redemption	**-**	-
Non-cash changes:		
Accrued interest and other movements	**5**	4
Balance at the end of the financial year	**2,640**	2,135

Note 21
Related party information

Transactions between the Consolidated Entity, its parent entity and with other related body corporate entities under common control principally arise from funding arrangements, provision of management and administration services and the provision of guarantees, restructure of businesses, repayment of capital and distribution of dividends and trading activities including derivative transactions for managing and hedging market risks.

The Master Loan Agreement (the MLA) governs the funding and netting arrangements between the Consolidated Entity, its parent entity and with other related body corporate entities under the common control of MGL and which have acceded to the MLA. The Tripartite Outsourcing Major Services Agreement (TOMSA) governs the provision of intra-group services between subsidiaries and related body corporate entities other than certain excluded entities.

Parent entity

The Company's parent entity is MGL, a company incorporated in Australia. MGL as the ultimate parent entity of the Macquarie Group is the head entity of the Australian tax consolidated group. The terms and conditions of this agreement are set out in Note 37(v) Taxation. Amounts receivable from MGL includes the receivable amounts assumed by the Consolidated Entity under the tax funding agreement of the tax consolidated group.

Balances outstanding with MGL are presented in Due from related body corporate entities or Due to related body corporate entities, as appropriate, separately in the statements of financial position of the Consolidated Entity except when the parties have the legal right and intention to offset.

The following transactions occurred with the parent entity during the financial year:

	2023 $'000	2022 $'000
Net interest expense	**(1,434,828)**	(307,528)
Net fee and commission income	**(13,452)**	(14,033)

The following balances and off balance sheet arrangements with the parent entity were outstanding as at financial year end:

On Balance Sheet:		
Due from related body corporate entities[1]	**3,394,025**	2,488,843
Due to related body corporate entities[2]	**(38,796,665)**	(31,324,627)
Off Balance Sheet:		
Guarantees received[3]	**4,490,537**	4,476,327
Asset development commitments[4]	**(538,755)**	(660,152)

1. Due from related body corporates primarily represents the amounts paid in advance for MEREP awards offered to its employees' net of share-based payment expense (refer to Note 37(xxi) *Performance based remuneration*), loans and receivables as per the terms of the funding arrangements under the MLA.
2. Due to related body corporates primarily represents the amounts payable as per the terms of the funding arrangements under the MLA, trading-related balances including derivatives designated in hedge accounting relationships.
3. Represents guarantees provided by MGL to counterparties with respect to their exposure to the Consolidated Entity.
4. Relates to an asset development commitment to be fulfilled by the Consolidated Entity in relation to MGL's commitment to external parties.

Other related body corporate entities

Balances may arise from lending and borrowing activities between the Consolidated Entity and other related body corporate entities which are generally repayable on demand or may be extended on a term basis and where appropriate, may be either subordinated or collateralised.

Balances outstanding with other related parties are presented in Due from related body corporate entities or Due to related body corporate entities, as appropriate, separately in the Statements of financial position of the Consolidated Entity, except when the parties have the legal right and intention to offset.

The following transactions occurred with other related body corporate entities during the financial year:

	2023 $'000	2022 $'000
Net interest income	**333,282**	25,439
Net fee and commission income	**230,181**	343,924
Other Income	**559**	14,756
Other operating expenses[1]	**(1,101,140)**	(765,012)

The following balances and off balance sheet arrangements with other related body corporate entities were outstanding at the reporting date:

On Balance Sheet:		
Due from other related body corporate entities[2]	**16,108,759**	12,242,346
Due to other related body corporate entities[3]	**(5,253,168)**	(4,465,923)
Off Balance Sheet:		
Guarantees[4]	**(8,072,908)**	(5,939,276)
Letters of credit received	**-**	137,633
Guarantee received for asset development commitments[5]	**208,283**	512,469

1. Primarily includes service cost recoveries by related body corporates.
2. Due from related body corporates primarily represents loans and receivables as per the terms of the funding arrangements under the MLA, and trading-related balances including derivatives designated in hedge accounting relationships.
3. Due to related body corporates primarily represents loans and payables as per the terms of the funding arrangements under the MLA, payables under other bespoke loans agreements and trading-related balances including derivatives designated in hedge accounting relationships.
4. Includes guarantees of $6,863,243 thousand (2022: $4,952,916 thousand) provided by the Consolidated Entity to MBL for its exposure with certain Non-ELE Bank group entities. The Consolidated Entity has placed cash collateral of a similar amount with MBL as per the terms of the guarantee arrangement, which is included in the due from other related body corporate entities balance above. Also includes guarantees of $1,172,210 thousand (2022: $852,827 thousand) to MBL for its exposures with certain Non-ELE Non-Bank group entities, for which the Consolidated Entity has placed non-cash collateral with MBL as per the terms of the guarantee arrangement.
5. Represents asset development commitment in favour of MGL guaranteed by MBL for which the consolidated entity has placed securities as collateral.

Associates and joint ventures

Transactions between the Consolidated Entity and its associates and joint ventures principally arise from the provision of corporate advisory services, the granting of loans, and the provision of management services.

Balances may arise from lending and borrowing activities between the Consolidated Entity and its associates and joint ventures which are generally extended on a term basis and, where appropriate, may be either subordinated or collateralised.

During the financial year, the following amounts of income resulted from transactions with associates and joint ventures:

	2023 $'000	2022 $'000
Interest income	**81,878**	61,263
Fee and commission income[1]	**1,003,764**	1,030,910
Other income	**1,192**	3,176

Dividends and distributions of $156,359 thousand (2022: $163,075 thousand) received from associates and joint ventures were recorded as a reduction from the carrying amount of the investment.

The following balances and off balance sheet arrangements with associates and joint ventures were outstanding as at financial year end (these exclude amounts which, in substance, form part of the Consolidated Entity's net investment in associates and joint ventures, disclosed in Note 9 *Interests in associates and joint ventures*):

	2023	2022
On Balance Sheet:		
Amounts receivable[2]	**1,032,301**	302,354
Amounts payable	**(52,977)**	(12,605)
Off Balance Sheet:		
Undrawn Commitments	**(1,135,207)**	(1,260,170)
Guarantee provided	**(27)**	(126,675)
Other Contingent liabilities	**-**	(14,523)
Letters of credit	**(49)**	-

1. Includes $429,326 thousand (2022: $219,177 thousand) of performance fees.
2. Includes $671,460 thousand (2022: $208,002 thousand) of fee-related contract assets from Macquarie-managed funds.

Note 22
Key Management Personnel disclosure

Key Management Personnel

The following persons were Directors of the Company during both the financial years ended 31 March 2023 and 31 March 2022, unless indicated otherwise:

Directors

S. Dyson

D. Saad

J.A. Fowler (appointed on 9 September 2022)

Former Directors

A.J. Lewis (resigned 3 March 2022)

A. Loveridge (alternate to A.J. Lewis from 19 October 2021 to 3 March 2022)

C.M. Webb (appointed on 3 March 2022, resigned on 29 August 2022)

In addition to the Directors listed above, the following persons, who were members of MGL's Executive Committee, also had authority and responsibility for planning, directing and controlling the activities of the Company and its subsidiaries during the financial years ended 31 March 2023 and 31 March 2022, unless otherwise indicated

Executives[1]

S.R. Wikramanayake	Macquarie Group CEO
G.N. Bruce	GGC, Head of LGG (appointed 2 March 2022)
A. Cassidy	CRO, Head of RMG (appointed 1 January 2022)
S.D. Green	Macquarie Bank CEO (appointed 1 July 2021)
A.H. Harvey	CFO, Head of FMG
N. O'Kane	Head of CGM
M.J. Silverton	Head of Macquarie Capital
N. Sorbara	COO, Head of COG
G.C. Ward	Deputy Managing Director and Head of BFS
B.I. Way	Head of MAM

1. Except where indicated otherwise, all of the Executives as well as the CEO were members of the Executive Committee as at 29 June 2023

Former Executives

F. Herold	Global Head of Macquarie Capital Principal Finance (until 7 May 2021)
M.J. Reemst	Former Macquarie Bank CEO (until 30 June 2021)
P.C. Upfold	Former CRO, Head of RMG (until 31 December 2021)
D. Wong	Former Co-Head of Macquarie Capital (until 29 October 2021)

The following table details the aggregate remuneration for Key Management Personnel (KMP) in MFHPL:

	2023 $	2022 $
Key Management Personnel Remuneration		
Amounts paid to Key Management Personnel in relation to their role as KMP of the Company and its subsidiaries	**42,261,989**	37,000,074

The KMP did not receive any other benefits or consideration in connection with the management of the Consolidated Entity. All other benefits that were received by the KMP were solely related to other services performed with respect to their employment by MGL and its subsidiaries. During the year, a related body corporate entity within the Macquarie Group paid certain of the amounts disclosed above to the KMP for services rendered to the Consolidated Entity.

Note 23
Employee equity participation

MEREP

MFHPL participates in its ultimate parent company's, Macquarie Group Limited (MGL), share based compensation plans, being the Macquarie Group Employee Retained Equity Plan (the MEREP). In terms of this plan, awards are granted by MGL to qualifying employees for delivery of MGL shares.

Award Types under the MEREP

Restricted Share Units (RSUs)

An RSU is a beneficial interest in an MGL ordinary share held on behalf of a MEREP participant by the plan trustee (Trustee).

The participant is entitled to receive dividends on the share and direct the Trustee how to exercise voting rights of the share. The participant also has the right to request the release of the share from the MEREP Trust, subject to the vesting and forfeiture provisions of the MEREP.

	NUMBER OF RSU AWARDS	
	2023	**2022**
RSUs on issue at the beginning of the financial year	**3,967,804**	4,792,102
Granted during the financial year	**1,614,560**	1,429,812
Forfeited during the financial year	**(132,759)**	(245,461)
Vested RSUs withdrawn or sold from the MEREP during the financial year	**(983,518)**	(1,311,018)
Net transfers (to)/from related body corporate entities	**(310,970)**	(697,631)
RSUs on issue at the end of the financial year	**4,155,117**	3,967,804
RSUs vested and not withdrawn from the MEREP at the end of the financial year	**-**	23,995

The weighted average fair value of the RSU Awards granted during the financial year was $165.15 (2022: $152.43).

Deferred Share Units (DSUs)

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

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

DSUs will only be offered in jurisdictions where legal or tax rules make the grant of RSUs impractical, or where PSUs are structured as DSUs (see PSUs). DSUs have been granted with an expiry period of up to nine years.

	NUMBER OF DSU AWARDS	
	2023	**2022**
DSUs on issue at the beginning of the financial year	**2,096,211**	2,296,432
Granted during the financial year	**716,155**	719,604
Forfeited during the financial year	**(44,196)**	(204,391)
Exercised during the financial year	**(402,073)**	(622,123)
Net transfers to related body corporate entities	**(216,891)**	(93,311)
DSUs on issue at the end of the financial year	**2,149,206**	2,096,211
DSUs exercisable at the end of the financial year	**601,545**	618,902

The weighted average fair value of the DSU Awards granted during the financial year was $160.39 (2022: $148.32).

Performance Share Units (PSUs)

All PSUs currently on issue are structured as DSUs with performance hurdles related to MGL's performance that must be met before the underlying share or cash equivalent (as the case may be) will be delivered. PSU holders have no right to dividend equivalent payments before the PSUs vest.

	NUMBER OF PSU AWARDS	
	2023	**2022**
PSUs on issue at the beginning of the financial year	**168,433**	217,437
Granted during the financial year	**31,308**	42,585
Forfeited during the financial year	**-**	(37,189)
Exercised during the financial year	**(34,852)**	(27,199)
Expired during the Year	**-**	(27,201)
Net transfers to related body corporate entities[1]	**(15,654)**	-
PSUs on issue at the end of the financial year	**149,235**	168,433
PSUs exercisable at the end of the financial year	**12,069**	–

The weighted average fair value of the PSU Awards granted during the financial year was $156.54 (2022: $134.04).

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

- Executive Directors with retained Directors' Profit Share (DPS) from 2013 onwards, a proportion of which is allocated in the form of MEREP awards (Retained DPS Awards)
- staff other than Executive Directors with retained profit share above a threshold amount (Retained Profit Share Awards) and staff who were promoted to Associate Director, Division Director or Executive Director, who received a fixed Australian dollar value allocation of MEREP awards (Promotion Awards)
- New MFHPL Group staff who commence at Associate Director, Division Director or Executive Director level and are awarded a fixed Australian dollar value (New Hire Awards)
- MFHPL employees who are members of the MGL or MBL Executive Committees who are eligible for PSUs (PSU awards)
- In limited circumstances, MFHPL Group staff may receive an equity grant instead of a remuneration or consideration payment in cash. Current examples include individuals who become employees of MFHPL Group upon the acquisition of their employer by an MFHPL Group entity or who receive an additional award at the time of joining Macquarie (also referred to above as New Hire Awards).

1. Net transfers from related body corporate entities during the year includes transfers relating to the transfer of employees within Macquarie group entities.

Vesting periods are as follows:

Award type	Level	Vesting
Retained Profit Share Awards and Promotion Awards	Below Executive Director	1/3rd in the 2nd, 3rd and 4th year following the year of grant[1]
Retained DPS Awards	Executive Committee members and Designated Executive Directors	1/5th in the 3rd, 4th, 5th, 6th and 7th year following the year of grant[2]
Retained DPS Awards	All other Executive Directors	1/3rd in the 3rd, 4th and 5th year following the year of grant[2]
PSU Awards granted in relation to years 2016 to 2019	Executive Committee members	50% in the 3rd and 4th years following the year of grant[3]
PSU Awards granted in relation to 2020 and following years	Executive Committee members	100% in the 4th year following the year of grant[3]
New Hire Awards	All Director-level staff	1/3rd on each first day of a staff trading window on or after the 2nd, 3rd and 4th anniversaries of the date of allocation[1]

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

For Retained Profit Share awards representing 2022 retention, the allocation price was the weighted average price of the shares acquired for the 2022 purchase period, which was 16 May 2022 to 21 June 2022. That price was calculated to be $168.81 (2022 retention: $151.73).

Performance Share Units (PSUs)

PSUs will only be released or become exercisable upon the achievement of certain performance hurdles related to MGL's performance. Only employees who are members of the MGL and MBL Executive Committees are eligible to receive PSUs. For the PSUs allocated to Executive Committee Members, two performance hurdles have been determined and each will apply individually to 50% of the total number of PSUs awarded. Hurdles are periodically reviewed by the Board Remuneration Committee (BRC) to ensure they continue to align the interests of staff and shareholders and provide a challenging but meaningful incentive to Executive Committee members. The BRC considers historical and forecast market data, the views of corporate governance bodies, shareholders and regulators as well as market practice. No change has been made to the hurdles for this financial year.

The hurdles are outlined on the following page.

1. Vesting will occur during an eligible staff trading window.
2. Vesting will occur during an eligible staff trading window. If an Executive Director has been on leave without pay (excluding leave to which the Executive Director may be eligible under local laws) for 12 months or more, the vesting period may be extended accordingly.
3. Subject to achieving certain performance hurdles.

Performance hurdle 1

Hurdle	Reference group
50% of the PSUs based solely on the relative average annual return on MGL's ordinary equity (ROE) over the vesting period compared to a reference group of global financial institutions. A sliding scale applies with 50% becoming exercisable above the 50th percentile and 100% vesting at the 75th percentile.	The current reference group comprises Barclays PLC, Bank of America Corporation, Citigroup Inc., Deutsche Bank AG, Goldman Sachs Group Inc., JP Morgan Chase & Co., Lazard Limited, Morgan Stanley and UBS AG[1].

Performance hurdle 2

Hurdle	Reference group
50% of the PSUs based solely on the compound annual growth rate (CAGR) in earnings per share (EPS) over the vesting period.	A sliding scale applies with 50% becoming exercisable at EPS CAGR of 7.5% and 100% at EPS CAGR of 12%. For example, if EPS CAGR were 9.75%, 75% of the relevant awards would become exercisable.

Under both performance hurdles, the objective is examined once only. Testing occurs annually on 30 June immediately before vesting on 1 July, based on the most recently available year-end financial results. To the extent that a condition is not met when examined, the PSUs due to vest will not be exercisable upon vesting, resulting in no benefit to Executive Committee members.

Assumptions used to determine the fair value of MEREP awards

RSUs and DSUs are measured at their grant dates based on their fair value[2] and for each PSU, the awards expected to vest are measured on the basis of the assumptions below. This amount is recognised as an expense evenly over the respective vesting periods.

RSUs, DSUs and PSUs relating to the MEREP plan for Executive Committee members have been granted in the current financial year in respect of 2022 performance. The accounting fair value of each of these grants is estimated using the MGL's share price on the date of grant and for each PSU also incorporates a discounted cash flow method using the following key assumptions:

- interest rate to maturity: 3.13% per annum
- expected vesting dates of PSUs: 1 July 2026
- dividend yield: 3.30% per annum.

While RSUs, DSUs, and PSUs (for Executive Committee members) for FY2023 will be granted during the FY2024, the Company begins recognising an expense for these awards (based on an initial estimate) from 1 April 2022 related to these future grants. The expense is estimated using the estimated MEREP retention for FY2023 and applying the amortisation profile to the retained amount.

For PSUs, the estimate also incorporates an interest rate to maturity of 4.24% per annum, expected vesting date of PSUs of 1 July 2027, and a dividend yield of 3.28% per annum. In the following financial year, the Consolidated Entity will adjust the accumulated expense recognised for the final determination of fair value for each RSU, DSU and PSU when granted and will use this validation for recognising the expense over the remaining vesting period. The Consolidated Entity annually revises its estimates of the number of awards (including those delivered through MEREP) that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the employment expenses in the income statement.

1. Given the recent government-supported acquisition of Credit Suisse Group by UBS AG, Credit Suisse Group has been removed from the international reference group for PSU allocation in respect of FY2023 onwards. The BRC have approved Citigroup Inc, as a replacement, taking into account the markets in which it operates and the diversification of its business segments.
2. For employees categorised as Material Risk Takers who are required to comply with the European Banking Authority Guidelines on the CRD IV remuneration requirements, the fair value of the awards granted for performance periods after 1 April 2019 has been adjusted to take into account the prohibition of dividends on unvested awards.

For the financial year ended 31 March 2023, compensation expense relating to the MEREP totalled $239,975 thousand (2022: $258,205 thousand).

Employee Share Plan

MFHPL also participates in MGL's Macquarie Group Employee Share Plan (ESP) whereby each financial year eligible employees are offered up to $1,000 worth of fully paid MGL ordinary shares for no cash consideration.

Shares allocated under the ESP cannot be sold until the earlier of three years after allocation or the time when the participant is no longer employed by MGL or a subsidiary of MGL. In all other respects, shares allocated rank equally with all other fully paid ordinary shares then on issue.

The latest offer under the ESP was made during November 2022. A total of 71 (2022: 78) staff participated in this offer. On 30 November 2022, the participants were each allocated 5 (2022: 4) fully paid ordinary shares based on the offer amount of $1,000 and the average market share price of $178.23 (2022: $202.00), resulting in a total of 355 (2022: 312) shares being allocated. The shares were allocated to staff for no cash consideration. The aggregate value of the shares allocated was deducted from staff profit share and commissions.

For the financial year ended 31 March 2023, compensation expense relating to the ESP totalled $64 thousand (2022: $63 thousand).

Other plans

MFHPL operates other local share-based compensation plans, none of which, individually or in aggregate are material.

Note 24
Contingent liabilities and commitments

	2023 $m	2022 $m
Credit risk related exposures:		
Letters of credit and guarantees	**8,131**	6,019
Undrawn credit facilities and debt commitments[1,2]	**6,306**	7,326
Total credit risk related exposures	**14,437**	13,345
Other commitments:		
Equity investment commitments	**1,444**	1,283
Asset developments and purchase commitments[3]	**848**	1,311
Total other commitments	**2,292**	2,594
Total contingent liabilities and commitments[4]	**16,729**	15,939

1. Undrawn credit facilities include fully or partially undrawn commitments against which clients can borrow money under defined terms and conditions.
2. Includes $1,066 million (2022: $1,064 million) in undrawn facilities where the loan positions will be sold to third-party once drawn.
3. Includes asset development commitments in favour of related party of $539 million (2022: $660 million).
4. There are no material contingent liabilities for the Consolidated Entity as at reporting date.

Note 25
Structured entities

A Structured Entity (SE) is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. SEs are generally established with restrictions on their ongoing activities in order to achieve narrow and well-defined objectives. SEs are classified as subsidiaries and are consolidated when control exists.

The Consolidated Entity engages with SEs for securitisation and structured financing arrangements in order to diversify its sources of funding for asset origination and capital efficiency purposes. The Consolidated Entity also engages with SEs when providing investment management and other fiduciary activities. The Consolidated Entity's involvement with SEs is primarily of the following nature:

Type	Details
Securitisations	Securitisations involve transferring assets into a vehicle that sells beneficial interests to investors through the issue of debt and equity notes with varying levels of subordination. The notes are collateralised by the assets transferred to these vehicles and pay a return based on the returns of those assets, with residual returns paid to the most subordinated investor. These vehicles are created for securitising assets, including mortgages, and finance lease. The Consolidated Entity also establishes SEs on behalf of customers to securitise their loans or receivables and may manage these securitisation vehicles or provide liquidity or other support. The Consolidated Entity may serve as a sponsor, servicer, underwriter, liquidity provider, derivative counterparty, purchaser of notes and/or purchaser of residual income units. The Consolidated Entity also establishes SEs on behalf of customers to securitise their loans or receivables and may manage these securitisation vehicles or provide liquidity or other support.. The Consolidated Entity invests in debt and equity notes of SEs are part of its liquid asset portfolio management. The Consolidated Entity's total exposure (primarily in nature of financial investments) as at reporting date is $772 million (2022: $480 million).
Funds management activities	The Consolidated Entity conducts investment management and other fiduciary activities as responsible entity, trustee, custodian, advisor or manager of the investment funds. Of these certain funds/investments meet the definition of structured entities. The consolidated entity's interest in these funds/partnerships includes holding units in funds, equity investments in intermediatory investment vehicles, receiving fees for services, providing lending facilities, guarantees and undrawn commitments representing the Consolidated entity's maximum exposure to loss. The Assets under Management (AUM) represents the indicative size of these fund and is measured as the proportional ownership interest in the underlying assets of funds and mandated assets that the Consolidated Entity actively manages or advises on. The carrying value of the Consolidated Entity's investment in managed funds is disclosed in Note 5 *Financial investments* and Note 9 *Interest in associates and joint ventures*. Other interests in these managed funds, which includes receivables, and contract assets and undrawn commitments are primarily disclosed in Note 21 *Related party information*.
Structured Financing and other arrangements	Includes structured entities established to raise financing and fulfil obligations for prepaid commodity delivery contracts. The Consolidated Entity has no material exposure to such unconsolidated SEs as at reporting date.

Note 26
Hedge accounting

Hedging strategy

The use of derivative and non-derivative instruments to economically hedge non-traded positions potentially gives rise to income statement volatility as a result of mismatches in the accounting treatment between the derivative and non-derivative instruments and the related exposure. The Consolidated Entity's objective is to reduce the risk of volatility in earnings. This volatility may be managed by allowing hedges to naturally offset one another or, where the earnings volatility exceeds pre-defined thresholds, hedge accounting is considered.

Hedging instruments

Detail on hedging instruments, the nature of hedged risks, as well as the notional and the carrying amount of derivative financial instruments and, in the case of net investment hedges, the notional of foreign currency denominated borrowings, for each type of hedge relationship, is shown in the respective sections. The maturity profile for the hedging instruments' notional amounts are reported based on their contractual maturity. Where a cross currency swap has been dual designated in both a cash flow and a fair value hedge, the notional is shown more than once. Increases in notional profiles of hedging instruments are presented as negative figures, with decreases and maturities presented as positive figures.

Hedge ineffectiveness

In the case of a fair value hedge, hedge ineffectiveness is the extent to which the changes in the fair value of the hedging instrument differ to that of the hedged item. In the case of a cash flow hedge, hedge ineffectiveness is the extent to which the change in the fair value of the hedging instrument exceeds, in absolute terms, that of the hedged item. In the case of net investment hedge relationships, hedge ineffectiveness is the extent to which the change in the carrying amount of foreign currency denominated borrowings and foreign exchange contracts attributable to the change in exchange rates exceeds, in absolute terms, that of the hedged item. Sources of hedge ineffectiveness primarily arise from basis and timing differences between the hedged items and hedging instruments and designating existing derivatives with a non-zero fair value as hedging instruments. Hedge ineffectiveness is reported in net trading income in the income statement.

Cash flow hedges

The cash flow hedge reserve, representing the effective portion of the movements in the hedging instrument, is disclosed in Note 19(i) *Reserves*. Changes in this reserve are reported in the Consolidated Entity's Statements of comprehensive income. There are no cumulative gains and losses remaining in the cash flow hedge reserve for hedging relationships that have ceased, but for which the hedged cash flows are still expected to occur (2022: $Nil).

Hedging instruments

		MATURITY ANALYSIS PER NOTIONAL				
Instrument type	**Risk category**	**Less than 3 months $m**	**3 to 12 months $m**	**1 to 5 years $m**	**Over 5 years $m**	**Total $m**
						2023
Derivative assets						
Cross currency swaps	Foreign exchange	**-**	**-**	**440**	**1,803**	**2,243**
Interest rate swaps and options	Interest rate	**1**	**45**	**841**	**423**	**1,310**
Derivative liabilities						
Cross currency swaps	Foreign exchange	**-**	**-**	**-**	**143**	**143**
Commodity forwards and futures	Commodity price	**8**	**20**	**142**	**114**	**284**
Interest rate swaps and options	Interest rate	**-**	**-**	**-**	**504**	**504**
						2022
Derivative assets						
Interest rate swaps and options	Interest rate	-	44	593	451	1,088
Derivative liabilities						
Cross currency swaps	Foreign exchange	-	-	-	441	441
Commodity forwards and futures	Commodity price	3	19	274	338	634
Interest rate swaps and options	Interest rate	367	-	-	-	367

		CARRYING AMOUNT			
		2023		2022	
Instrument type	**Risk category**	**Asset $m**	**Liability $m**	**Asset $m**	**Liability $m**
Cross currency swaps[1]	Foreign exchange	**135**	**19**	-	25
Interest rate swaps and options[1]	Interest rate	**86**	**1**	73	1
Commodity forwards and futures	Commodity price	**-**	**15**	-	102

1. The carrying amounts of hedging instrument derivative assets and liabilities designated in cashflow hedge relationships include amounts of $179 million and $20 million (2022: $42 million and $25 million) which are disclosed in the Consolidated Entity Statement of financial position as 'Due from other related body corporate entities' and 'Due to other related body corporate entities' respectively.

Hedge ineffectiveness

In the case of cash flow hedge relationships, hedge ineffectiveness is the extent to which the change in the fair value of the hedging instrument exceeds, in absolute terms, that of the hedged item.

		GAIN/(LOSS) ON HEDGED INSTRUMENT		GAIN/(LOSS) ON HEDGING ITEM		HEDGE INEFFECTIVENESS GAIN/(LOSS)	
Hedging instrument	**Risk category**	**2023 $m**	**2022 $m**	**2023 $m**	**2022 $m**	**2023 $m**	**2022 $m**
Cross currency swaps	Foreign exchange	**18**	(4)	**(17)**	4	**1**	-
Commodity forwards and futures	Commodity price	**88**	(88)	**(88)**	87	**-**	(1)
Interest rate swaps and options	Interest rate	**12**	74	**(13)**	(72)	**(1)**	2
Total		**118**	(18)	**(118)**	19	**-**	1

Hedge accounting executed rates

The following table shows the executed rates for the most significant hedging instruments designated in cash flow hedges, which represents the contractual rates when the hedging instruments were traded.

Hedging instruments	**Currency**	**2023**	**2022**
Cross currency swaps	AUD/CHF	**0.66**	0.66
	AUD/JPY	**92.93-94.21**	-
	AUD/NOK	**6.31**	6.31
Interest rate swaps and options	AUD	**0.50%-3.55%**	0.50-1.19%
	EUR	**2.64%-3.05%**	(0.43)-0.32%
	NZD	**1.97%**	1.97%
	GBP	**4.15%**	-
	USD	**1.53%-4.66%**	-

Net investment in foreign operation hedges

The Consolidated Entity's net investment in foreign operations (NIFO) changes as a result of earnings, dividends, other capital-related events and changes in the Consolidated Entity's group structure as a result of internal restructures. The risk of changes in the NIFO for movements in foreign exchange rates is hedged by the Consolidated Entity through the use of a combination of derivatives, foreign denominated borrowings and other balance sheet items. Refer to Note 27 *Financial Risk Management: Non-traded risk* for further information on the Consolidated Entity's risk management strategy.

In order to reflect the Consolidated Entity's risk management strategy, hedge accounting is applied where changes in the derivatives and foreign denominated borrowings are recognized, together with the related foreign currency translation reserve, in the Consolidated Entity's other comprehensive income and is subsequently released to the income statement when the foreign operation is disposed of. Hedge ineffectiveness, if any is recognised in the income statement. Given that the Consolidated Entity's NIFO frequently changes, the hedge designations are reviewed on a monthly basis or more frequently where required, which included updating the NIFO exposure and rebalancing the associated hedge designations.

		CARRYING AMOUNT			
		ASSETS		LIABILITY	
Hedging instrument	**Risk category**	**2023 $m**	**2022 $m**	**2023 $m**	**2022 $m**
Foreign exchange contracts and other foreign currency denominated balance sheet items[1]	Foreign exchange	**213**	24	**14**	9
Foreign currency denominated issued debt[2]	Foreign exchange	**-**	-	**8,694**	7,991

		NOTIONAL AMOUNT			
		ASSETS		LIABILITY	
Hedging instrument	**Risk category**	**2023 $m**	**2022 $m**	**2023 $m**	**2022 $m**
Foreign exchange contracts and other foreign currency denominated balance sheet items[3]	Foreign exchange	**1,171**	1,073	**760**	610
Foreign currency denominated issued debt	Foreign exchange	**-**	-	**8,694**	7,991

In order to hedge the currency exposure of certain net investment in foreign operations, the Consolidated Entity jointly designates both forward exchange derivative contracts (from the currency of the underlying foreign operation to USD) and foreign denominated debt issued (from USD to AUD). As a result, the notional value of hedging instruments presented in the table above of $10,625 million (2022: $9,674 million) represents the notional of both the derivative hedging instrument and the debt issued and hence exceeds the $9,033 million (2022: $8,183 million) notional of the underlying hedged component of the Consolidated Entity's net investment in foreign operations.

Hedge ineffectiveness is the extent to which the absolute change in either the fair value of the derivative or the carrying amount of foreign currency denominated borrowings attributable to the change in exchange rates exceeds that of the hedged item. There was no ineffectiveness recognised in the income statement by the Consolidated Entity in the current year (2022: $Nil).

1. The carrying amount of foreign exchange contracts designated in net investment in foreign operation hedge relationships comprises only amounts which are disclosed in the Consolidated Entity's Statement of financial position as 'Due from related body corporate entities' and 'Due to related body corporate entities'.
2. The carrying amount of foreign currency denominated borrowings designated in net investment in foreign operation hedge relationships comprises only amounts which are disclosed in the Consolidated Entity's Statement of financial position as 'Due to related body corporate entities'.
3. Where the fair value of the derivative is positive/(negative), the notional of the derivative has been similarly included in the table as an asset/(liability).

Fair value hedges

The fair value attributable to the hedged risk is recognised as a fair value adjustment to the hedged item on the balance sheet. In an effective fair value hedge relationship, movements in this fair value adjustment are largely offset by movements in the fair value of the hedging instrument. Any residual is recognised as ineffectiveness in net trading income in the income statement. Executed rates for fair value hedges of interest rate risk and commodity price risk have not been shown as these would represent the market reference rates at the time of designation.

Hedging instruments

		MATURITY ANALYSIS PER NOTIONAL AMOUNT				
Instrument type	**Risk category**	**Less than 3 months $m**	**3 to 12 months $m**	**1 to 5 years $m**	**Over 5 years $m**	**Total $m**
						2023
Derivative assets						
Interest rate swaps	Interest rate	**-**	**350**	**295**	**75**	**720**
Derivative liabilities						
Cross currency swaps	Interest rate	**-**	**-**	**-**	**256**	**256**
Interest rate swaps	Interest rate	**-**	**624**	**12,187**	**13,211**	**26,022**
						2022
Derivative assets						
Interest rate swaps	Interest rate	-	734	100	3,081	3,915
Derivative liabilities						
Cross currency swaps	Interest rate	-	-	-	152	152
Interest rate swaps	Interest rate	-	-	5,414	10,381	15,795

		CARRYING AMOUNT[1]			
		2023		2022	
Hedging instrument	**Risk category**	**Asset $m**	**Liability $m**	**Asset $m**	**Liability $m**
Cross currency swaps	Interest rate	**-**	**8**	-	5
Interest rate swaps	Interest rate	**24**	**2,213**	141	956

1. The carrying amount of derivative assets and liabilities designated in fair value hedge relationships comprises only amounts which are disclosed in the Consolidated Entity's Statement of financial position as 'Due from related body corporate entities' and 'Due to related body corporate entities' respectively.

Hedged item

As the hedged item is adjusted only for the hedged risk, the hedged item's carrying value disclosed in the table will not be equivalent to its fair value as disclosed in other notes to these financial statements. The accumulated amount of the fair value hedge adjustments remaining in the Statements of financial positions for hedged items that have ceased to be adjusted for hedging gains and losses is $Nil (2022: $2 million gain) for the Consolidated Entity and have been included in the fair value hedge adjustment in the table that follows. These amounts will be amortised to the income statement on an effective interest rate basis.

	2023		2022	
	Carrying amount[1] $m	Fair value hedge adjustment $m	Carrying amount $m	Fair value hedge adjustment $m
Assets				
Due to related body corporate entities	**248**	**20**	-	-
Financial investments[2]	**366**	**-**	-	-
Liabilities				
Due to related body corporate entities	**24,609**	**2,300**	19,025	838

Hedge ineffectiveness

In the case of a fair value hedge, hedge ineffectiveness is the extent to which the changes in the fair value of the hedging instrument differ to that of the hedged item.

		(LOSS)/GAIN ON HEDGING INSTRUMENT		GAIN/(LOSS) ON HEDGED ITEM		HEDGE INEFFECTIVENESS GAIN/(LOSS)	
Hedging instrument	**Risk category**	2023 $m	2022 $m	2023 $m	2022 $m	2023 $m	2022 $m
Cross currency swaps	Interest rate	**(3)**	(5)	**3**	5	**-**	-
Interest rate swaps	Interest rate	**(1,454)**	(1,232)	**1,465**	1,230	**11**	(2)
Total		**(1,457)**	(1,237)	**1,468**	1,235	**11**	(2)

1. The carrying amounts in the table above exclude accrued interest and include fair value hedge adjustments.
2. The carrying amount includes debt instruments classified at fair value through other comprehensive income. Where this applies, the fair value hedge adjustment for interest rate risk is recognised in the income statement together with changes in the fair value of the hedging instrument.

Note 27
Financial risk management

Risk Management Group (RMG)

Risk is an integral part of the Consolidated Entity's businesses. The material risks faced by the Consolidated Entity 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 staff throughout Macquarie is to ensure they manage risks appropriately.

RMG is independent of other areas of the Consolidated Entity. RMG approval is required for all material risk acceptance decisions. RMG reviews and assesses risks and sets limits. Where appropriate, these limits are approved by the Executive Committee and the Board. The Head of RMG, as Macquarie's CRO, is a member of the Executive Committee of MGL and MBL and reports directly to the CEO with a secondary reporting line to the Board Risk Committee. Further details on the Risk Management Framework in the Consolidated Entity can be found in the Risk Management Report of Macquarie Groups Annual Report.

Note 27.1 Credit risk

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

Credit risk assessment and approval

Exercise of credit authority within Macquarie is undertaken under authority delegated by the MGL and MBL Boards directly.

Credit risk assessment includes a comprehensive review of the creditworthiness of the counterparty and related entities, key risk and mitigants, and that the downside risk is properly understood and acceptable.

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

Retail credit exposures are monitored by the business units and overseen by RMG Credit on a portfolio basis.

All credit exposures are monitored regularly against limits. For limit monitoring, credit exposures for loan assets are reported at amortised cost. Derivative exposures are measured using high confidence potential future underlying asset prices.

To mitigate credit risk, where appropriate, the Consolidated Entity makes use of margining and other forms of collateral or credit enhancement techniques (including guarantees, letters of credit and the purchase of credit default swaps).

Ratings and reviews

Refer to Note 8 *Expected credit losses* for details regarding the manner in which the Consolidated Entity has adopted and applied AASB 9's expected credit loss impairment requirements.

For the purpose of presenting the credit risk associated with assets on the Consolidated Entity's Statements of financial position in accordance with the requirements of AASB 9, the following methodology has been adopted:

Wholesale rating

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

Credit Profile	Internal Rating	Standard & Poor's Equivalent
Investment grade	MQ1 to MQ8	AAA to BBB-
Non-investment grade	MQ9 to MQ16	BB+ to C
Default	MQ99	Default

Retail rating

Retail pools are mapped to the credit quality grades based on their PDs.

Mapping retail portfolios to the credit grades has been done for comparability of the overall portfolio presentation and does not reflect the way that the retail portfolio is segmented for management purposes. Management reviews a range of information, including past due status for the portfolio, to assess the credit quality of these assets.

Due from related body corporate entities

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

Portfolio and country risk

A review of the credit portfolio analysing credit concentrations by counterparty, geography, risk type, industry and credit quality is carried out quarterly and reported to the Board semi-annually. Policies are in place to regulate large exposures to single counterparties or groups of counterparties.

The Consolidated Entity has a country risk management framework which covers the assessment of country risk and the approval of country risk limits. Where appropriate the country risk is mitigated by political risk insurance.

Credit quality of financial assets

The table below discloses, by credit rating grades and ECL impairment stage, the gross carrying amount[1] of assets measured at amortised cost or FVOCI and off balance sheet exposures of the Consolidated Entity subject to the impairment requirements of AASB 9 *Financial Instruments.* The credit quality is based on the counterparty's credit rating using the Consolidated Entity's credit rating system and excludes the benefit of collateral and credit enhancements.

	Stage I[2] $m	Stage II[2] $m	Stage III[2] $m	Total $m
				2023
Investment grade				
Cash and bank balances	**3,220**	-	-	**3,220**
Reverse repurchase agreements	**5,854**	-	-	**5,854**
Settlement, margin money and trading assets	**3,840**	-	-	**3,840**
Financial investments	**2,394**	-	-	**2,394**
Held for sale and other assets	**714**	-	-	**714**
Loan assets	**456**	-	-	**456**
Due from related body corporate entities	**17,992**	-	-	**17,992**
Off balance sheet exposures	**8,444**	-	-	**8,444**
Total investment grade	**42,914**	-	-	**42,914**
Non-investment grade				
Cash and bank balances	**99**	-	-	**99**
Reverse repurchase agreements	**5,268**	-	-	**5,268**
Settlement, margin money and trading assets	**2,045**	-	-	**2,045**
Financial investments	**5**	-	-	**5**
Held for sale and other assets	**777**	**4**	-	**781**
Loan assets	**13,279**	**2,161**	-	**15,440**
Loans to associates and joint ventures	-	**479**	-	**479**
Due from related body corporate entities	**93**	-	-	**93**
Off balance sheet exposures	**5,754**	**176**	-	**5,930**
Total non-investment grade	**27,320**	**2,820**	-	**30,140**
Default				
Settlement, margin money and trading assets	-	-	**1**	**1**
Held for sale and other assets	-	-	**13**	**13**
Loan assets	-	-	**851**	**851**
Off balance sheet exposures	-	-	**63**	**63**
Total default	-	-	**928**	**928**
Total gross credit risk[1]	**70,234**	**2,820**	**928**	**73,982**

1. The gross exposure of financial assets measured at amortised cost represents the amortised cost before the ECL allowance and the gross exposure of financial assets measured at FVOCI represents carrying value before fair value adjustments and ECL allowance. Accordingly, these exposures will not be equal to the amount as presented in the Statements of financial position.
2. For the definition of Stage I, II, and III, refer to Note 8 *Expected credit losses*. Whilst exposure may have migrated to Stage II it should not be inferred that such exposures are of lower credit quality. The ECL for stage III assets includes the benefit of collateral and other credit enhancements.

	Stage I[1] $m	Stage II[1] $m	Stage III[1] $m	Total $m
				2022
Investment grade				
Cash and bank balances	2,852	-	-	2,852
Reverse repurchase agreements	6,191	-	-	6,191
Settlement, margin money and trading assets	3,684	-	-	3,684
Financial investments	3,666	-	-	3,666
Held for sale and other assets	682	-	-	682
Loan assets	668	-	-	668
Due from related body corporate entities	13,703	-	-	13,703
Off balance sheet exposures	6,110	-	-	6,110
Total investment grade	37,556	-	-	37,556
Non-investment grade				
Cash and bank balances	175	-	-	175
Reverse repurchase agreements	2,458	-	-	2,458
Settlement, margin money and trading assets	2,029	-	-	2,029
Financial Investments	13			13
Held for sale and other assets	565	43	-	608
Loan assets	9,563	993	-	10,556
Loans to associates and joint ventures	160	412	-	572
Due from related body corporate entities	21	-	-	21
Off balance sheet exposures	6,795	404	-	7,199
Total non-investment grade	21,779	1,852	-	23,631
Default				
Settlement, margin money and trading assets	-	-	1	1
Held for sale and other assets	-	-	13	13
Loan assets	-	-	646	646
Loans to associates and joint ventures	-	-	76	76
Off balance sheet exposures	-	-	36	36
Total default	-	-	772	772
Total gross credit risk[2]	59,335	1,852	772	61,959

1. For the definition of Stage I, II, and III, refer to Note 8 Expected credit losses. Whilst exposure may have migrated to Stage II it should not be inferred that such exposures are of lower credit quality. The ECL for stage III assets includes the benefit of collateral and other credit enhancements.
2. The gross exposure of financial assets measured at amortised cost represents the amortised cost before the ECL allowance and the gross exposure of financial assets measured at FVOCI represents carrying value before fair value adjustments and ECL allowance. Accordingly, these exposures will not be equal to the amount as presented in the Statements of financial position.

Credit risk concentration

The table below details the concentration of credit risk by significant geographical location and counterparty type of the Consolidated Entity's assets measured at amortised cost or FVOCI and off balance sheet exposures subject to the impairment requirements of AASB 9 *Financial Instruments*. The geographical location is determined by the country of risk. Counterparty type is based on APRA classification.

	Governments $m	Financial Institutions $m	Other $m	Total $m
				2023
Australia				
Cash and bank balances	-	569	-	569
Settlement, margin money and trading assets	53	588	351	992
Held for sale and other assets	-	110	130	240
Financial investments	-	1,264	1	1,265
Loan assets	-	405	1,560	1,965
Due from related body corporate entities[1]	-	15,664	254	15,918
Off balance sheet exposures	-	7,486	626	8,112
Total Australia	53	26,086	2,922	29,061
Asia Pacific				
Cash and bank balances	-	910	-	910
Settlement, margin money and trading assets	133	2,166	181	2,480
Held for sale and other assets	-	20	65	85
Financial Investments	-	-	5	5
Loan assets	-	-	110	110
Due from related body corporate entities[1]	-	28	6	34
Off balance sheet exposures	-	5	21	26
Total Asia Pacific	133	3,129	388	3,650
Europe, Middle East and Africa				
Cash and bank balances	-	1,156	-	1,156
Reverse repurchase agreements	-	2,976	-	2,976
Settlement, margin money and trading assets	40	635	366	1,041
Held for sale and other assets	19	148	368	535
Financial investments	9	8	-	17
Loan assets	-	333	6,096	6,429
Due from related body corporate entities[1]	-	387	230	617
Loans to associates and joint ventures	-	-	479	479
Off balance sheet exposures	-	33	2,458	2,491
Total Europe, Middle East and Africa	68	5,676	9,997	15,741
Americas				
Cash and bank balances	-	684	-	684
Reverse repurchase agreements	-	8,146	-	8,146
Settlement, margin money and trading assets	4	717	652	1,373
Held for sale and other assets	3	492	153	648
Financial investments	1,112	-	-	1,112
Loan assets	126	443	7,674	8,243
Due from related body corporate entities[1]	-	1,092	424	1,516
Off balance sheet exposures	-	188	3,620	3,808
Total Americas	1,245	11,762	12,523	25,530
Total gross credit risk[2]	1,499	46,653	25,830	73,982

1. Due from related body corporates have been presented as Financial institutions and Other based on APRA's Standard Institutional Sector Classifications of Australia (SISCA) classification.
2. The gross exposure of financial assets measured at amortised cost represents the amortised cost before the ECL allowance and the gross exposure of financial assets measured at FVOCI represents carrying value before fair value adjustments and ECL allowance. Accordingly, these exposure values will not equal the amount presented in the Statement of financial position.

	Government $m	Financial Institutions $m	Other $m	Total $m
Australia				**2022**
Cash and bank balances	-	342	-	342
Settlement, margin money and trading assets	19	706	154	879
Financial Investments	-	2	981	983
Held for sale and other assets	4	64	75	143
Loan assets	-	126	1,605	1,731
Due from related body corporate entities[1]	-	12,489	231	12,720
Off balance sheet exposures	-	5,856	445	6,301
Total Australia	23	19,585	3,491	23,099
Asia Pacific				
Cash and bank balances	-	895	-	895
Reverse repurchase agreements	-	337	-	337
Settlement, margin money and trading assets	12	1,582	241	1,835
Held for sale and other assets	-	2	65	67
Financial investments	-	-	-	-
Loan assets	-	89	8	97
Due from related body corporate entities[1]	-	36	130	166
Loans to associates and joint ventures	-	-	-	-
Off balance sheet exposures	-	14	-	14
Total Asia Pacific	12	2,955	444	3,411
Europe, Middle East and Africa				
Cash and bank balances	-	761	-	761
Reverse repurchase agreements	-	4,543	-	4,543
Settlement, margin money and trading assets	2	1,143	102	1,247
Financial investments	9	3	-	12
Held for sale and other assets	39	170	168	377
Loan assets	-	641	3,634	4,275
Loans to associates and joint ventures	-	-	412	412
Due from related body corporate entities[1]	-	126	171	297
Off balance sheet exposures	-	63	991	1,054
Total Europe, Middle East and Africa	50	7,450	5,478	12,978
Americas				
Cash and bank balances	-	1,029	-	1,029
Reverse repurchase agreements	-	3,769	-	3,769
Settlement, margin money and trading assets	1	1,317	435	1,753
Financial Investments	2,684	-	-	2,684
Held for sale and other assets	2	406	308	716
Loan assets	108	26	5,633	5,767
Loans to associates and joint ventures	-	-	236	236
Due from related body corporate entities[1]	-	322	219	541
Off balance sheet exposures	-	63	5,913	5,976
Total Americas	2,795	6,932	12,744	22,471
Total gross credit risk[2]	2,880	36,922	21,157	61,959

1. Due from related body corporate entities have been presented as Financial Institution and Others based on APRA's Standard Institutional Sector Classifications of Australia (SISCA) classification.
2. The gross exposure of financial assets measured at amortised cost represents the amortised cost before ECL allowance and the gross exposure of financial assets measured at FVOCI represents carrying value before fair value adjustments and ECL allowance. Accordingly, these exposures will not be equal to the amount as presented in the Statements of financial position.

The table below details the concentration of credit risk by significant geographical location and counterparty type of the Consolidated Entity's assets which are not subject to the impairment requirements of AASB 9 *Financial Instruments* 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, commodities, bank notes and coins are excluded from the table below.

	Governments	Financial Institutions	Other	Total
	$m	$m	$m	$m
				2023
Australia				
Settlement, margin money and trading assets	-	**3**	**2**	**5**
Held for sale and other assets	-	-	**39**	**39**
Loan assets	-	-	**41**	**41**
Due from related body corporate entities[1]	-	**1,029**	-	**1,029**
Total Australia	-	**1,032**	**82**	**1,114**
Asia Pacific				
Held for sale and other assets	-	**3**	**37**	**40**
Financial Investments	-	-	**4**	**4**
Loan assets	-	-	**3**	**3**
Loans to associates and joint ventures	-	-	**154**	**154**
Total Asia Pacific	-	**3**	**198**	**201**
Europe, Middle East and Africa				
Held for sale and other assets	-	**17**	**53**	**70**
Financial Investments	-	**8**	-	**8**
Loan assets	-	**46**	**323**	**369**
Loans to associates and joint ventures	-	**137**	**165**	**302**
Due from related body corporate entities[1]	-	**5**	-	**5**
Total Europe, Middle East and Africa	-	**213**	**541**	**754**
Americas				
Settlement, margin money and trading assets	-	**15**	**150**	**165**
Held for sale and other assets	-	**35**	**228**	**263**
Financial Investments	-	**284**	**259**	**543**
Loan assets	-	**96**	**312**	**408**
Loans to associates and joint ventures	-	-	**73**	**73**
Due from related body corporate entities[1]	-	**1**	-	**1**
Total Americas	-	**431**	**1,022**	**1,453**
Total gross credit risk	-	**1,679**	**1,843**	**3,522**

1 Due from related body corporate entities have been presented as Financial Institutions and other based on APRA's Standard Institutional Sector Classifications of Australia (SISCA) classification.

Credit risk concentration

	Governments $m	Financial Institutions $m	Other $m	Total $m
				2022
Australia				
Settlement, margin money and trading assets	-	1	77	78
Held for sale and other assets	-	-	27	27
Loans to associates and joint ventures	-	-	3	3
Due from related body corporate entities[1]	-	803	-	803
Total Australia	-	804	107	911
Asia Pacific				
Settlement, margin money and trading assets	-	67	168	235
Financial Investments	-	-	1	1
Held for sale and other assets	-	3	45	48
Loans to associates and joint ventures	-	-	62	62
Loan assets	-	-	24	24
Total Asia Pacific	-	70	300	370
Europe, Middle East and Africa				
Settlement, margin money and trading assets	-	-	640	640
Financial Investments	-	8	1	9
Held for sale and other assets	-	33	117	150
Loans to associates and joint ventures	-	144	143	287
Loan assets	-	-	123	123
Due from related body corporate entities[1]	-	4	1	5
Total Europe, Middle East and Africa	-	189	1,025	1,214
Americas				
Settlement, margin money and trading assets	-	592	208	800
Financial Investments	-	397	226	623
Held for sale and other assets	69	3	126	198
Loan assets	-	-	166	166
Loans to associates and joint ventures	-	-	14	14
Due from related body corporate entities[1]	-	7	-	7
Total Americas	69	999	740	1,808
Total gross credit risk	**69**	**2,062**	**2,172**	**4,303**

1 Due from related body corporate entities have been presented as Financial Institutions and other based on APRA's Standard Institutional Sector Classifications of Australia (SISCA) classification.

Maximum exposure to credit risk

For on-balance sheet instruments, the maximum exposure to credit risk is the carrying amount reported on the balance sheet (refer Note 28 *Measurement categories of financial instruments*). For off balance sheet instruments, the maximum exposure to credit risk is a function of the contractual notional amount except for certain usage-based guarantees in which case the maximum exposure is determined with respect to the fair value of the underlying exposure and is disclosed in Note 8 *Expected credit losses* and Note 24 *Contingent liabilities and Commitments.*

Collateral and credit enhancements held

Reverse repurchase agreements

The Consolidated Entity enters into stock and commodity borrowing and reverse repurchase transactions with counterparties which require lodgement of collateral. These arrangements include:

- securities and commodities borrowed in return for cash, for which the fair value of the securities and commodities borrowed is equal to or less than the cash deposited with the counterparty, and
- reverse repurchase agreements (collateralised financing arrangements), for which the fair value of the securities and commodities received as collateral is generally in excess of the principal amount.

The non-cash collateral received is not recognised by the Consolidated Entity in the Statement of financial position, as the risks and rewards of ownership remain with the counterparty. The Consolidated Entity is permitted to sell or repledge the securities and commodities received. In the absence of default by the counterparty, the Consolidated Entity has an obligation to return the non-cash collateral received to the counterparty.

For securities borrowed in return for cash and reverse repurchase arrangements, the fair value of non-cash collateral received is $11,198 million (2022: $8,585 million). No collateral has been sold or repledged in the current and previous year.

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

Loan assets

Home Loans

Home loan balance of the $406 million (2022: $425 million) is fully collateralised with a loan to collateral value ratio of less than 100%.

Asset financing

The Consolidated Entity leases assets and provides asset-related financing. Titles to the underlying assets are held by the Consolidated Entity as collateral. Of the asset finance portfolio of $182 million (2022: $154 million), the credit exposure after considering the depreciated value of collateral is $124 million (2022: $105 million).

Corporate, commercial and other lending

Collateral held against corporate, commercial and other lending consists of secured positions over assets of the counterparty, often in the form of corporate assets. Of the term lending of $16,196 million (2022: $11,132 million), the credit exposure after considering the estimated value of collateral and credit enhancements is $4,105 million (2022: $2,751 million).

Financial investments

Debt securities held by the Consolidated Entity carrying a credit risk are primarily in the nature of bonds, NCDs, floating rate notes (FRN), commercial paper and other debt securities for liquidity management purposes and other securities for short-term gains.

The Consolidated Entity utilises Credit Default Swaps, guarantees, other forms of credit enhancements or collateral in order to minimise the exposure to this credit risk.

Settlement assets

Security and commodity settlements of $4,601 million (2022: $4,821 million) and $852 million (2022: $508 million) respectively presented under Settlement, margin money and trading assets, represent amounts owed by an exchange (or a client) for equities, commodities and other securities sold. These assets are collateralised with the underlying securities, commodities or cash held by the Consolidated Entity until the date of settlement. The period between trade and settlement date varies as per regional regulatory and business norms.

Other financial assets

Commodity related receivables under other financial assets are typically either collateralised with underlying commodity held by the Consolidated Entity until the date of settlement or short-term receivables with standard credit terms which would be backed by a bank guarantee where required to remain within credit limits.

Credit commitments

Undrawn facilities and lending securities commitments of $14,437 million (2022: $13,345 million) are secured through collateral and credit enhancements. The remaining credit exposure after considering the estimated value of collateral is $9,170 million (2022: $6,415 million).

Additional collateral

Apart from collateral disclosed above, the Consolidated Entity also holds other types of collateral, such as unsupported guarantees. While such mitigants have value as a credit risk mitigant often providing rights in insolvency, their assignable values are uncertain and therefore are assigned no value for disclosure purposes.

For all collaterals, in the event of default realised collateral values may be lower than the value of collateral as at the reporting date.

Repossessed Collateral

In the event of a customer default, the Consolidated Entity may either take possession of the underlying collateral held as security and/or exercise its right to dispose of the customer's asset. At the reporting date the Consolidated Entity did not have any material amounts of such collateral recognised in its Statement of financial position.

Note 27.2 Liquidity risk

Governance and oversight

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

Liquidity management is performed centrally by Group Treasury, with oversight from the MGL Asset and Liability Committee (ALCO), the MGL Board and RMG. Macquarie's liquidity policies are approved by the MGL Board after endorsement by the ALCO and liquidity reporting is provided to the MGL Board on a regular basis. The MGL ALCO includes the MGL CEO, MBL CEO, CFO, CRO, Group General Council, Co-Heads of Group Treasury and relevant Operating Group Heads.

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

Contractual undiscounted cash flows

The following tables summarise the maturity profile of the Consolidated Entity's financial liabilities as at 31 March based on a contractual undiscounted repayment basis and hence would vary from the carrying value as reported in the Statement of financial position at the balance date. Repayment subject to notice are treated as if notice were given immediately.

	Statement of financial position carrying value $m	On demand $m	0 to 3 months $m	3 to 12 months $m	1 to 5 years $m	More than 5 years $m	Total $m
							2023
Settlement, margin money and trading liabilities[1]	**5,626**	**23**	**5,603**	**-**	**-**	**-**	**5,626**
Held for sale liabilities	**79**	**-**	**5**	**3**	**72**	**-**	**80**
Other liabilities							
Derivative liabilities (trading)[1]	**234**	**-**	**234**	**-**	**-**	**-**	**234**
Derivative liabilities (hedge accounting relationship)[2]	**30**						
Contractual amounts payable		**-**	**223**	**50**	**-**	**16**	**289**
Contractual amounts receivable		**-**	**(217)**	**(41)**	**-**	**-**	**(258)**
Others	**922**	**54**	**270**	**157**	**464**	**66**	**1,011**
Borrowings	**3,791**	**-**	**628**	**201**	**1,202**	**2,853**	**4,884**
Issued debt securities	**2,936**	**-**	**57**	**180**	**1,028**	**2,999**	**4,264**
Due to related body corporate entities	**43,984**	**6,565**	**1,568**	**852**	**13,642**	**23,163**	**45,790**
Loan capital[3]	**2,640**	**-**	**78**	**120**	**2,510**	**554**	**3,262**
Total	**60,242**	**6,642**	**8,449**	**1,522**	**18,918**	**29,651**	**65,182**
Total undiscounted commitments[4]		**9,296**	**541**	**1,055**	**3,434**	**2,403**	**16,729**

1. Derivative liabilities (trading) and trading liabilities are included in '0 to 3 months' column at their fair value. Liquidity risk on these items is not managed on the basis of contractual maturity, as they are frequently traded.
2. Where multiple derivatives are combined in order to form a single hedge instrument designated in a hedge accounting relationship, each derivative is considered independently for the purposes of assessing liquidity risk and for the disclosure's requirements.
3. Includes securities with conditional repayment obligations. The cash outflow on the principal component on these securities is disclosed using the earliest optional exchange dates and the cash outflow of the interest component is disclosed using coupon dates instead of the contractual maturity. For contractual maturity of these securities refer to Note 17 *Loan capital*, further these instruments may be converted into ordinary shares on the occurrence of an other exchange event, and this may impact their maturity profile.
4. Cash flows on commitments are dependent on the occurrence of various future events and conditions and may or may not result in an outflow of resources.

	Statement of financial position carrying value $m	On demand $m	0 to 3 months $m	3 to 12 months $m	1 to 5 years $m	More than 5 years $m	Total $m
							2022
Settlement, margin money and trading liabilities[1]	5,665	117	5,533	15	-	-	5,665
Held for sale liabilities	508	-	269	9	233	2	513
Other liabilities							
Derivative liabilities (trading)[1]	164	-	164	-	-	-	164
Derivative liabilities (hedge accounting relationship)[2]	103						
Contractual amounts payable		-	1	7	54	35	97
Others	1,085	30	254	581	185	56	1,106
Borrowings	1,832	4	823	139	689	447	2,102
Issued debt securities	2,724	-	68	160	860	2,950	4,038
Due to related body corporate entities	36,582	7,601	3,937	3,898	5,112	16,858	37,406
Loan capital[3]	2,135	-	20	59	313	2,214	2,606
Total	50,798	7,752	11,069	4,868	7,446	22,562	53,697
Total undiscounted commitments[4]		12,550	187	732	1,114	1,356	15,939

1. Derivative liabilities (trading) and trading liabilities are included in '0 to 3 months' column at their fair value. Liquidity risk on these items is not managed on the basis of contractual maturity, as they are frequently traded.
2. Where multiple derivatives are combined in order to form a single hedge instrument designated in a hedge accounting relationship, each derivative is considered independently for the purposes of assessing liquidity risk and for the disclosure's requirements.
3. Includes securities with conditional repayment obligations. The cash outflow on the principal component on these securities is disclosed using the earliest optional exchange dates and the cash outflow of the interest component is disclosed using coupon dates instead of the contractual maturity. For contractual maturity of these securities refer to Note 17 *Loan capital*, further these instruments may be converted into ordinary shares on the occurrence of an other exchange event, and this may impact their maturity profile.
4. Cash flows on commitments are dependent on the occurrence of various future events and conditions and may or may not result in an outflow of resources.

Note 27.3 Market risk

Macquarie's balance sheet includes a 'trading book', which is defined in accordance with APRA's traded market risk prudential statement (APS116), and subject to the traded market risk framework. Any position not deemed to be trading book is considered to be 'banking book', and covered by either the non-traded market risk or equity risk frameworks.

Market risk exposures in MFHPL are measured as part of MGL processes, and constrained as part of the MGL limit frameworks.

Traded market risk

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

- **price**: The risk of loss due to changes in price of a risk factor (interest rates, foreign exchange, commodities etc.)
- **volatility**: The risk of loss due to changes in the volatility of a risk factor
- **basis**: Risk of imperfect correlation between offsetting investments in a hedging strategy
- **correlation**: Risk that the actual correlation between two assets or variables is different from the assumed correlation
- **illiquid market**: Risk of inability to sell assets or close out positions in thinly-traded markets at close to the last market prices
- **concentration**: Risk of over concentration of trading exposures in certain markets and products
- **valuation adjustments (XVA)**: Risk of actual valuation adjustments to derivative positions; specifically Credit Valuation Adjustment, Debit Valuation Adjustment and Funding Valuation Adjustment (FVA).

It is recognised that all trading activities contain calculated elements of risk taking. MGL is prepared to accept such risks provided they are within agreed limits, independently and correctly identified, calculated and monitored by RMG, and reported to Senior Management on a regular basis.

RMG monitors positions within MGL according to a limit structure which sets limits for all exposures in all markets.

Limits are for both individual trading desks and divisions as well as in aggregate.

RMG sets three complementary limit structures at an MGL level:

- **contingent loss limits**: Worst case scenarios that shock prices and volatilities by more than that which has occurred historically. Multiple scenarios are set for each market to capture the non-linearity and complexity of exposures arising from derivatives. A wide range of assumptions about the correlations between markets is applied
- **position limits**: Volume, maturity and open position limits are set on a large number of market instruments and securities in order to constrain concentration risk and to avoid the accumulation of risky, illiquid positions
- **Value-at-Risk (VaR) limits**: A statistical measure based on a 10-day holding period and a 99% confidence level, as stipulated by the APRA capital adequacy standard. The model is validated daily by back testing a one-day VaR against hypothetical and actual daily trading profit or loss.

Value-at-Risk figures (1-day, 99% confidence level)

The table below shows the average, maximum and minimum VaR over the financial year for the major markets in which the Consolidated Entity operates. The VaR shown in the table is based on a one-day holding period being the mark-to-market loss that could be incurred over that period. The aggregated VaR is on a correlated basis.

	2023			2022		
	Average $m	Maximum $m	Minimum $m	Average $m	Maximum $m	Minimum $m
Equities	**1.17**	**1.81**	**0.72**	1.50	2.81	0.66
Interest rates	**1.20**	**1.70**	**0.83**	1.02	1.83	0.46
Foreign exchange	**0.60**	**2.36**	**0.24**	0.58	1.93	0.11
Commodities and commodity contracts	**9.61**	**23.71**	**4.37**	13.79	26.29	6.37
Aggregate	**9.90**	**24.81**	**4.64**	14.25	26.56	7.20

Value-at-Risk

MGL's VaR model uses a Monte Carlo simulation where price and volatility paths are derived from multiple normal distributions, based on three years of historical data. The following factors can limit the effectiveness of VaR in predicting future price moves:

- the use of historical data means that the current model parameters may not reflect future market conditions especially when entering a period of heightened volatility. The model utilises exponential weighting to place emphasis on the most recent market movements to more accurately reflect current conditions.
- VaR focuses on unexceptional price moves so that it does not account for losses that could occur beyond the 99% level of confidence.

For capital adequacy purposes, debt-specific risk is measured using APRA's standard method, whilst all other exposures are captured by the VaR model. This combined approach has been approved by APRA and is subject to periodic review.

Non-traded market risk

MFHPL has exposure to non-traded market risks arising from transactions entered into during its normal course of business and as a result of its investments in foreign operations. These risks include:

- **interest rate**: Changes in the level, shape and volatility of yield curves, and/or client behaviour given these changes
- **foreign exchange**: Changes in the spot exchange rates.

MGL has limited appetite for non-traded market risks. Where commercially feasible, these risks are transferred into the trading books of CGM and Group Treasury and governed within the traded market risk framework described above. Responsibility for managing exposures rests with individual businesses, with independent monitoring performed by RMG and FMG.

Accounting considerations arising from hedging activities

The use of derivative and other financial instruments to hedge non-traded positions potentially gives rise to income statement volatility due to difference in accounting treatments. The Consolidated Entity manages this through hedge accounting as set out in Note 37(ix) *Derivative instruments and hedging activities* and Note 26 *Hedge accounting*.

Interest rate risk in the banking book (IRRBB)

MGL measures and monitors interest rate risk on both an economic value and earnings basis, which are modelled as the worse-case contingent loss from a set of six severe interest rate shocks, including both parallel and non-parallel shocks. Aggregate IRRBB exposures for MGL are constrained on both measures:

- **Economic Value Sensitivity (EVS)**: The EVS metric measures the change in net present value of the interest-bearing portfolios in the banking book as a result of changes in interest rates.
- **Earnings at Risk (EaR)**: The EaR model constrains the impact on reported net income over 12 months for a change in interest rates.

A central objective of MGL's *Non-traded Market Risk Policy* is to reduce earnings volatility to interest rate movements. A key component of this arises where non-interest bearing assets are funded using variable rate liabilities and is managed through a hedging program that match these interest rate risk characteristics with non-interest bearing shareholders equity and a portfolio of fixed rate liabilities. The duration of this hedging program is constrained by MGL Board-approved limits, and subject to independent oversight by RMG.

Foreign currency risk

The Consolidated Entity is active in various currencies globally. A key objective of the Consolidated Entity's *Non-traded Market Risk Policy* is to reduce this sensitivity of economic capital ratios to foreign currency movements.

This is achieved by leaving specific investments in foreign operations exposed to foreign currency translation movements and captured in the foreign currency translation reserve, a component of economic capital, which aligns the foreign exchange sensitivity of capital supply with that of foreign currency capital requirements.

The table below presents the sensitivity of the Consolidated Entity's net investment in foreign operations to the most material currencies. As a result of the policy described above, these movements will not have a material impact on the capital ratios.

	2023		2022	
Currency	**Movement in exchange rates %**	**Sensitivity of other comprehensive income after tax $m**	**Movement in exchange rates %**	**Sensitivity of other comprehensive income after tax $m**
United States dollar	**+10**	**(464)**	+10	(364)
Pound sterling	**+10**	**(99)**	+10	(79)
Canadian dollar	**+10**	**-**	+10	(5)
Euro	**+10**	**(101)**	+10	(67)
Total		**(664)**		(515)
United States dollar	**-10**	**(567)**	-10	(445)
Pound sterling	**-10**	**(121)**	-10	(96)
Canadian dollar	**-10**	**-**	-10	(6)
Euro	**-10**	**(123)**	-10	(81)
Total		**(811)**		(628)

Equity price risk

The below table indicates the income statement effect of the Consolidated Entity's equity exposures held as part of its non-trading investment portfolio, due to a reasonably possible change in equity prices, with all other variables held constant. Equity exposures exclude interest in associate and joint ventures.

	2023		2022	
	Movement in equity price %	**Sensitivity of profit after tax $m**	**Movement in equity price %**	**Sensitivity of profit after tax $m**
Listed	**+10**	**22**	+10	24
Unlisted	**+10**	**73**	+10	62
Increase in equity prices	**+10**	**95**	+10	86
Listed	**-10**	**(22)**	-10	(24)
Unlisted	**-10**	**(73)**	-10	(62)
Decrease in equity prices	**-10**	**(95)**	-10	(86)

Note 28
Measurement categories of financial instruments

The following table contains information relating to the measurement categories (i.e. Held for trading (HFT), FVTPL, DFVTPL, FVOCI or Amortised cost) of assets and liabilities of the Consolidated Entity. The descriptions of measurement categories are included in Note 37(vi) *Financial instruments*.

The methods and significant assumptions that have been applied in determining the fair values of assets and liabilities are disclosed in Note 29 *Fair value of assets and liabilities*.

	FINANCIAL INSTRUMENTS CARRIED AT						Statement of financial position total	FAIR VALUE OF ITEMS CARRIED AT	
	FAIR VALUE								
	HFT $m	DFVTPL $m	FVTPL $m	FVOCI $m	Amortised cost $m	Non-financial instruments $m	$m	Fair value $m	Amortised cost $m
Assets									**2023**
Cash and bank balances	-	-	-	-	3,317	-	3,317	-	3,317
Reverse repurchase agreements	-	-	-	11,122	-	-	11,122	11,122	-
Settlement, margin money and trading assets[1]	300	-	-	-	5,879	788	6,967	1,088	5,879
Financial investments:									
Equity	-	-	1,219	-	-	-	1,219	1,219	-
Debt[2]	-	-	555	2,394	-	-	2,949	2,949	-
Held for sale assets	-	-	79	-	225	1,192	1,496	79	225
Other assets	266	-	67	-	1,050	1,594	2,977	895	1,050
Loan assets[2]	-	-	821	553	15,410	-	16,784	1,374	15,335
Due from related body corporate entities[3]	1,035	-	-	9	18,068	391	19,503	1,044	18,068
Interest in associates and joint ventures									
Equity interests	-	-	-	-	-	1,511	1,511	-	-
Loans to associates and joint ventures[2]	-	-	529	-	419	-	948	529	419
Property, plant and equipment and right-of-use assets	-	-	-	-	-	2,042	2,042	-	-
Intangible assets	-	-	-	-	-	965	965	-	-
Deferred tax assets	-	-	-	-	-	718	718	-	-
Total assets	1,601	-	3,270	14,078	44,368	9,201	72,518	20,299	44,293

1. Non-financial assets under 'Settlement, margin money and trading assets' represent commodities carried at fair value less costs to sell.
2. Items measured at amortised cost or cost includes, where applicable, fair value hedge accounting adjustments for designated hedged risks.
3. Due from and to related body corporate entities includes derivatives classified as HFT. All other receivables or intercompany payables are carried at amortised cost except for non-financial liabilities.

	FINANCIAL INSTRUMENTS CARRIED AT						Statement of financial position total	FAIR VALUE OF ITEMS CARRIED AT	
	FAIR VALUE								
	HFT $m	DFVTPL $m	FVTPL $m	FVOCI $m	Amortised cost $m	Non-financial instruments $m	$m	Fair value $m	Amortised cost $m
Liabilities									**2023**
Settlement, margin money and trading liabilities	**57**	**-**	**-**	**-**	**5,569**	**-**	**5,626**	**57**	**5,569**
Held for sale liabilities	**-**	**-**	**-**	**-**	**79**	**554**	**633**	**-**	**79**
Other liabilities[1]	**248**	**212**	**16**	**-**	**710**	**1,684**	**2,870**	**476**	**481**
Borrowings	**-**	**-**	**-**	**-**	**3,791**	**-**	**3,791**	**-**	**3,872**
Due to related body corporate entities[2]	**3,258**	**-**	**1**	**-**	**40,725**	**66**	**44,050**	**3,259**	**40,725**
Issued debt securities	**-**	**-**	**-**	**-**	**2,936**	**-**	**2,936**	**-**	**2,748**
Deferred tax liabilities	**-**	**-**	**-**	**-**	**-**	**52**	**52**	**-**	**-**
Loan capital	**-**	**-**	**-**	**-**	**2,640**	**-**	**2,640**	**-**	**2,640**
Total liabilities	**3,563**	**212**	**17**	**-**	**56,450**	**2,356**	**62,598**	**3,792**	**56,114**

1. The fair value of other liabilities carried at amortised costs excludes lease liabilities.
2. Due from and to related body corporate entities includes derivatives classified as HFT. All other receivables or intercompany payables are carried at amortised cost except for non-financial liabilities.

	FINANCIAL INSTRUMENTS CARRIED AT							FAIR VALUE OF ITEMS CARRIED AT	
	FAIR VALUE								
	HFT	DFVTPL	FVTPL	FVOCI	Amortised cost	Non-financial instruments	Statement of financial position total	Fair value	Amortised cost
	$m	$m	$m	$m	$m	$m	$m	$m	$m
Assets									2022
Cash and bank balances	-	-	-	-	3,027	-	3,027	-	3,027
Reverse repurchase agreements	-	-	-	8,649	-	-	8,649	8,649	-
Settlement, margin money and trading assets[1]	1,753	-	-	-	5,698	106	7,557	1,859	5,698
Financial investments:									
Equity	-	-	1,229	-	-	-	1,229	1,229	-
Debt	-	-	633	3,665	-	-	4,298	4,298	-
Held for sale assets	-	-	146	18	262	1,293	1,719	164	262
Other assets	244	-	61	-	803	1,592	2,700	813	803
Interests in associates and joint ventures									
Equity interests	-	-	-	-	-	1,220	1,220	-	-
Loans to associates and joint ventures[2]	-	-	366	42	509	-	917	408	569
Loan assets[2]	-	-	318	247	11,146	-	11,711	565	11,280
Due from related body corporate entities[3]	799	-	17	9	13,711	195	14,731	825	13,711
Property, plant and equipment and right-of-use assets	-	-	-	-	-	1,579	1,579	-	-
Intangible assets	-	-	-	-	-	1,013	1,013	-	-
Deferred tax assets	-	-	-	-	-	634	634	-	-
Total assets	2,796	-	2,770	12,630	35,156	7,632	60,984	18,810	35,350
Liabilities									
Settlement, margin money and trading liabilities	84	-	-	-	5,581	-	5,665	84	5,581
Held for sale liabilities	-	-	129	-	379	345	853	-	379
Other liabilities[4]	164	3	103	-	1,082	1,757	3,109	396	876
Borrowings	-	-	-	-	1,832	-	1,832	-	1,822
Due to related body corporate entities[3]	1,686	-	2	-	34,073	30	35,791	1,688	34,073
Issued debt securities	-	17	-	-	2,707	-	2,724	17	2,893
Deferred tax liabilities	-	-	-	-	-	57	57	-	-
Loan capital	-	-	-	-	2,135	-	2,135	-	2,135
Total liabilities	1,934	20	234	-	47,789	2,189	52,166	2,185	47,759

1. Non-financial assets under 'Settlement, margin money and trading assets' represent commodities carried at fair value less costs to sell.
2. Items measured at amortised cost or cost includes, where applicable, fair value hedge accounting adjustments for designated hedged risks.
3. Due from and to related body corporate entities includes derivatives classified as HFT. All other receivables or intercompany payables are carried at amortised cost except for non-financial liabilities.
4. The fair value of other liabilities carried at amortised costs excludes lease liabilities.

Note 29
Fair value of assets and liabilities

Fair value reflects the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Quoted prices or rates are used to determine fair value where an active market exists. If the market for a financial and non-financial instrument is not active, fair values are estimated using present value or other valuation techniques, using inputs based on market conditions prevailing at 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 such inputs.

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

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

The appropriate fair value hierarchy level for an item is determined on the basis of the lowest level input that is significant to the fair value measurement.

AASB 13 *Fair Value Measurement* requires the 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 substantially all of the residual net exposure to market risks were closed, on a portfolio basis.

The following methods and assumptions have been applied in determining the fair values of the following items carried at amortised cost in the Statements of financial position.

Asset or liability	Valuation techniques, inputs and other significant assumptions
Cash and bank balances	The fair value of cash and bank balances approximates their carrying amounts as these are highly liquid and short-term in nature.
Loan assets	The fair values of all loan assets carried at amortised cost, is determined with reference to changes in interest rates as well as credit spreads.
Issued debt securities, Borrowings and Loan capital	The fair value of issued debt securities, borrowings and loan capital is based on quoted prices in active markets where available. Where quoted prices are not available the fair value is based on discounted cash flows using rates appropriate to the term and incorporates changes in the Consolidated Entity's own credit spread.
Margin money, settlement assets and settlement liabilities Other financial assets and financial liabilities	The fair value of margin money, settlement assets, settlement liabilities, other financial assets and financial liabilities approximate their carrying amounts.

The following methods and significant assumptions have been applied in determining the fair values of following items carried at fair value in the Statement of financial position:

Asset or liability	Valuation techniques, inputs and other significant assumptions
Trading assets, Trading liabilities and Derivatives	Trading assets, including commodities and commodity contacts, trading liabilities, derivative financial instruments and other transactions undertaken for trading purposes are measured at fair value by reference to quoted prices in active markets where available (for example, listed securities). If quoted prices in active market are not available, then fair values are estimated on the basis of other recognised valuation techniques that maximise the use of quoted prices and observable market inputs. The Consolidated Entity has incorporated the market implied funding costs for uncollateralised derivative positions as a Funding Valuation Adjustment (FVA). FVA is determined by calculating the net expected exposures at a counterparty level and applying the Consolidated Entity's internal Treasury lending rates as an input into the calculation. The approach takes into account the PD of each counterparty, as well as any mandatory break clauses.
Reverse repurchase agreements	Repurchase and reverse repurchase agreements being collateralised financing arrangements, are measured at fair value with reference to the securities which are held or provided as the collateral for the financing agreement.
Financial investments	Financial investments classified as FVTPL or FVOCI are measured at fair value by reference to quoted prices in active markets where available (for example listed securities). If quoted prices in active markets are not available, the fair values are estimated on the basis of other recognised valuation techniques that maximise the use of quoted prices and observable market inputs.
Loan assets	Fair values of loans are measured by reference to quoted prices in active markets where available. If quoted prices are not available in active markets, the fair values are estimated with reference to current market rates.
Investment property	Investment property is measured at fair value based on the discounted future cash flows unless market valuation is available based on recent transactions or current market prices.
Other financial assets and financial liabilities	Fair values of other financial assets and financial liabilities are based upon data or valuation techniques appropriate to the nature and type of the underlying instruments.

For financial assets carried at fair value, in order to measure counterparty credit risk, an adjustment is incorporated into the valuation. Where exposures are managed on a portfolio basis, the adjustment is calculated on a counterparty basis for those exposures. For financial liabilities carried at fair value, in order to measure the Consolidated Entity's own credit risk, an adjustment is incorporated into the valuations.

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. The output of a valuation technique is always an estimate of a fair value that cannot be measured with complete uncertainty. All models are reviewed before they are used. Models are calibrated periodically to test the outputs and reflect the prices from observable current market transactions in same instrument or other available observable market data.

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

Assets and liabilities measured at amortised cost

The fair values carried for financial instruments which are carried in the Statement of financial position at amortised cost are for disclosure purpose only. The methods and assumptions applied to derive these fair values can require significant judgment by management and therefore may not necessarily be comparable to other financial institutions.

The following table summarises the fair value hierarchy of financial assets and financial liabilities measured at amortised cost except where the carrying value is approximately equal to the fair value.

	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
				2023
Assets				
Loan assets	**-**	**3**	**15,332**	**15,335**
Loans to associates and joint ventures	**-**	**-**	**419**	**419**
Total assets	**-**	**3**	**15,751**	**15,754**
Liabilities				
Borrowings	**-**	**511**	**3,361**	**3,872**
Issued debt securities	**-**	**2,681**	**67**	**2,748**
Loan capital	**2,640**	**-**	**-**	**2,640**
Total liabilities	**2,640**	**3,192**	**3,428**	**9,260**
				2022
Assets				
Loan assets	-	2	11,278	11,280
Loans to associates and joint ventures	-	-	569	569
Total assets	-	2	11,847	11,849
Liabilities				
Borrowings	-	857	965	1,822
Issued debt securities	-	2,833	60	2,893
Loan capital	2,135	-	-	2,135
Total liabilities	2,135	3,690	1,025	6,850

Assets and liabilities measured at fair value

The following table summarises the levels of the fair value hierarchy for assets and liabilities that are recognised and measured at fair value in the financial statements:

	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
				2023
Assets				
Reverse repurchase agreements	-	**11,122**	-	**11,122**
Trading assets	**89**	**953**	**46**	**1,088**
Financial investments	**1,530**	**1,559**	**1,079**	**4,168**
Held for sale assets	-	-	**79**	**79**
Other assets[1]	-	**252**	**643**	**895**
Loan assets	-	**136**	**1,238**	**1,374**
Due from related body corporate entities	-	**1,062**	-	**1,062**
Loans to associates and joint ventures	-	-	**529**	**529**
Total assets	**1,619**	**15,084**	**3,614**	**20,317**
Liabilities				
Trading liabilities	**30**	**27**	-	**57**
Other liabilities	-	**439**	**37**	**476**
Due to related body corporate entities	-	**3,276**	-	**3,276**
Total liabilities	**30**	**3,742**	**37**	**3,809**
				2022
Assets				
Reverse repurchase agreements	-	8,649	-	8,649
Trading assets	117	1,729	13	1,859
Financial investments	3,076	1,305	1,146	5,527
Held for sale assets	-	-	164	164
Other assets[1]	1	262	550	813
Loan assets	-	-	565	565
Due from related body corporate entities	-	825	-	825
Loans to associates and joint ventures	-	-	408	408
Total assets	3,194	12,770	2,846	18,810
Liabilities				
Trading liabilities	78	6	-	84
Other liabilities	-	357	39	396
Due to related body corporate entities	-	1,688	-	1,688
Issued debt securities	-	17	-	17
Total liabilities	78	2,068	39	2,185

1. Includes $562 million (2022: $495 million) of investment properties measured at fair value.

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 assets and liabilities, measured at fair value on a recurring basis by the Consolidated Entity.

	Settlement, margin money and trading assets $m	Financial investments $m	Held for sale assets $m	Other assets[1] $m	Loan assets $m	Loans to associates and joint ventures $m	Issued debt securities $m	Total $m
Balance as at 1 Apr 2021	79	942	63	163	509	96	(3)	1,849
Purchases, originations, issuances and other additions	4	686	71	294	1,357	487	-	2,899
Sales, settlements and repayments	(32)	(563)	(43)	6	(1,155)	(12)	-	(1,799)
Reclassification	-	-	102	-	(17)	(85)	-	-
Transfer into Level 3[2]	4	48	-	15	-	9	-	76
Transfer out of Level 3[2]	(49)	(130)	(33)	129	(120)	-	-	(203)
Fair value movements recognised in the income statement:							-	
Net trading income/(loss)[3]	7	5	(1)	(103)	(31)	(10)	-	(133)
Other income/(loss)	-	149	5	7	19	(73)	3	110
Fair value movements recognised in OCI[3]	-	9	-	-	3	(4)	-	8
Balance as at 31 Mar 2022	13	1,146	164	511	565	408	-	2,807
Fair value movements for the financial year included in the income statement for assets and liabilities held at the end of the financial year[3]	1	27	(2)	(105)	(17)	(77)	-	(173)
Balance as at 1 Apr 2022	**13**	**1,146**	**164**	**511**	**565**	**408**	**-**	**2,807**
Purchases, originations, issuances and other additions	**22**	**673**	**30**	**81**	**1,118**	**196**	**-**	**2,120**
Sales, settlements and repayments	-	**(300)**	**(192)**	**(18)**	**(273)**	**(38)**	**-**	**(821)**
Reclassification	-	**(38)**	**83**	-	-	**(45)**	-	-
Transfers into Level 3[2]	**11**	**7**	-	**32**	**1**	-	**-**	**51**
Transfers out of Level 3[2]	**(1)**	**(460)**	**(2)**	**(47)**	**(64)**	**(83)**	**-**	**(657)**
Fair value movements recognised in the income statement:							**-**	
Net trading income/(loss)[3]	**1**	**117**	**1**	**89**	**(63)**	**28**	**-**	**173**
Other income/(loss)	-	**(66)**	**(5)**	**(27)**	**(38)**	**(36)**	**-**	**(172)**
Fair value movements recognised in OCI[3]	-	-	-	**22**	**(8)**	**99**	**-**	**113**
Balance as at 31 Mar 2023	**46**	**1,079**	**79**	**643**	**1,238**	**529**	**-**	**3,614**
Fair value movements for the financial year included in the income statement for assets and liabilities held at the end of the financial year[3]	**1**	**92**	-	**7**	**36**	**21**	**-**	**157**

1. Other assets include derivative financial instruments in the table above which are represented on a net basis. On a gross basis, derivative assets are $43 million (2022: $23 million) and derivative liabilities are $37 million (2022: $39 million).
2. Assets and liabilities transferred into or out of Level 3 are presented as if those assets or liabilities had been transferred at the beginning of the financial year.
3. The Consolidated Entity employs various hedging techniques in order to manage market risks including foreign exchange risks in Level 3 positions. The gains and losses relating to such hedging techniques, may include the purchase or sale of financial instruments measured at fair value that are classified as Level 1 or 2 positions or foreign currency denominated financial instruments that are measured at amortised cost, that are not presented in the table above.

Significant transfers between levels of the fair value hierarchy

During the financial year, the Consolidated Entity did not have significant transfers between Level 1 and Level 2.

Transfers into Level 3 were due to the lack of observable valuation inputs for certain investments and trading balances. Transfers out of Level 3 were principally due to valuation inputs becoming observable during the financial year. Financial assets reclassified into/out of the fair value hierarchy disclosure due to recognition and measurement category changes, or where there have been changes in significant influence or control but some form of interests in the assets are still retained, are also presented as transfers into/out of Level 3.

Unrecognised gain or losses

The Consolidated Entity did not have any deferred day 1 profit or loss during the current or previous financial years.

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 the fair value. The range of values represent the highest and lowest input used in the valuation techniques. The range does not reflect the level of uncertainty regarding a particular input, but rather the different underlying characteristics of the relevant assets and liabilities.

					Range of inputs	
	Fair value of assets $m	**Fair value of liabilities $m**	**Valuation technique(s)**	**Significant unobservable inputs**	**Minimum value**	**Maximum value**
						2023
Interest rate, commodity and other products	**2,785**	**31**	Discounted cash flows	Discount rate – Credit spreads	**3.5%**	**8.8%**
			Comparable transactions	Price in %	**5.6%**	**95.4%**
Equity and equity-linked products	**829**	**6**	Net Asset Value (NAV)	Fund's NAV[1]	-	-
			Pricing model	Earnings multiple	**3X**	**14.8x**
Total	**3,614**	**37**				
						2022
Interest rate, commodity and other products	1,960	23	Discounted cash flows	Discount rate – Credit spreads	5.4%	9.5%
			Pricing model	Correlation	0.0%	100%
Equity and equity-linked products	886	16	Net Asset Value (NAV)	Fund's NAV[1]		
			Discounted cash flows	Discount rate	10.0%	26.7%
			Pricing model	Earnings multiple	1.0X	15.8X
Total	2,846	39				

Interest rate and other products

Discount rate – Credit spreads: Loans are generally valued using discount rates. Significant unobservable inputs may include interest rates and credit spreads of counterparties and original issue discounts on primarily debt issuances. Credit spread is the premium over a benchmark interest rate required by the market to accept lower credit quality which increase the discount factor applied to future cashflows thereby reducing the value of the asset. Credit spreads may be implied from the market prices and may not be observable in more illiquid markets.

Price in %: Comparable transactions are leveraged to price the fair value of the assets and liabilities and a percentage is applied to ascertain the proportion of the transaction price that is comparable with the specific asset/liability. This price percentage is an unobservable input and judgemental depending on the characteristics of the asset/liability.

1. The range of inputs to NAV is not disclosed as the diverse nature of the underlying investments results in a wide range of inputs.

Equity and equity-linked products

Unlisted equity securities are generally valued based on earnings or revenue multiples, referencing market transactions which are not directly comparable or quantifiable and are adjusted as appropriate for current economic conditions. Other significant unobservable inputs may include NAV and discount rates determined using inputs specific to the underlying investment, and forecast cash flows and earnings/revenues of investee entities.

Sensitivity analysis of valuations using unobservable inputs

The table below shows the sensitivity to reasonably possible alternative assumptions for Level 3 assets and liabilities whose fair values are determined in whole or in part using unobservable inputs. The impact of the sensitivity of instruments which hedge the Level 3 positions but are classified as Level 1 and 2 is not included in the table below.

	Favourable changes		Unfavourable changes	
	Profit or loss $m	**OCI $m**	**Profit or loss $m**	**OCI $m**
Product type				**2023**
Equity and equity-linked products	**110**	**11**	**(89)**	**(15)**
Interest rate, commodity and other products	**80**	**1**	**(45)**	**(1)**
Total	**190**	**12**	**(134)**	**(16)**
Product type				2022
Equity and equity-linked products	88	-	(62)	-
Interest rate, commodity and other products	86	1	(79)	(3)
Total	174	1	(141)	(3)

Note 30
Offsetting of financial assets and financial liabilities

The Consolidated Entity presents financial assets and financial liabilities on a net basis in the Statement of financial position when they meet the criteria described in Note 37(vi) *Financial instruments*. The following tables provide information on the impact of offsetting of financial instruments in the Statement 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 Consolidated Entity's financial position in that circumstance is to settle these contracts as one arrangement.

The Consolidated Entity uses a variety of credit risk mitigation strategies in addition to netting and collateral arrangements, therefore amounts presented in this note are not intended to represent the credit risk exposure of the entity. Refer to Note 27.1 *Credit risk* for information on credit risk management.

	EFFECT OF OFFSETTING ON THE STATEMENT OF FINANCIAL POSITION			RELATED AMOUNTS SUBJECT TO ENFORCEABLE NETTING ARRANGEMENTS[1]			
	Gross amount[2,3] $m	Amount offset on the Statement of financial position $m	Net amount reported on the Statement of financial position $m	Other recognised financial instruments $m	Cash and other financial collateral $m	Other collateral for exposure not subject to enforceable netting arrangement $m	Net exposure $m
							2023
Reverse repurchase agreements	**11,122**	**-**	**11,122**	**-**	**(11,109)**	**-**	**13**
Settlement assets[4]	**8,343**	**(2,890)**	**5,453**	**(2,423)**	**-**	**-**	**3,030**
Other assets[5]	**299**	**(6)**	**293**	**(189)**	**(18)**	**(2)**	**84**
Due from related body corporate entities[6]	**18,181**	**(1,864)**	**16,317**	**(1,857)**	**(618)**	**-**	**13,842**
Total assets	**37,945**	**(4,760)**	**33,185**	**(4,469)**	**(11,745)**	**(2)**	**16,969**
Settlement liabilities[4]	**(8,436)**	**2,890**	**(5,546)**	**2,455**	**-**	**-**	**(3,091)**
Other liabilities[5]	**(270)**	**6**	**(264)**	**157**	**8**	**12**	**(87)**
Due to related body corporate entities[6]	**(45,219)**	**1,864**	**(43,355)**	**1,857**	**2,727**	**-**	**(38,771)**
Total liabilities	**(53,925)**	**4,760**	**(49,165)**	**4,469**	**2,735**	**12**	**(41,949)**

1. Related amounts not offset have been limited to the net amount presented in the Statement of financial position so as not to include the effect of over-collateralisation.
2. Gross amounts for assets include $474 million (2022: $379 million) of settlements assets, $10 million (2022: $161 million) of derivative assets and $7,130 million (2022: $6,072 million) of Due from related body corporate entities not subject to enforceable netting arrangements. Gross liabilities includes $806 million (2022: $432 million) of settlements liabilities, $76 million (2022: $143 million) of derivative liabilities and $849 million (2022: $1,063 million) of Due to related body corporate entities not subject to enforceable netting arrangements.
3. Amounts not subject to enforceable netting arrangements are where either there are no master netting agreements or enforceability of agreement is uncertain under bankruptcy laws in some countries or industries.
4. Excludes margin money assets of $426 million (2022: $369 million) and liabilities of $23 million (2022: $109 million) presented under Note 4 *Settlement, margin money and trading assets* and Note 13 *Settlement, margin money and trading liabilities* respectively on the Statements of financial position.
5. Only includes derivative assets and derivative liabilities presented under Note 6 *Other assets* and Note 14 *Other liabilities* respectively.
6. Excludes margin money and non-financial assets of $3,186 million (2022: $1,528 million) and liabilities of $695 million (2022: $612 million) presented under Due from related body corporate entities and Due to related body corporate entities respectively on the Statements of financial position.

	EFFECT OF OFFSETTING ON THE STATEMENTS OF FINANCIAL POSITION			RELATED AMOUNTS SUBJECT TO ENFORCEABLE NETTING ARRANGEMENTS[1]			
	Gross amount[2,3] $m	Amount offset on the Statements of financial position $m	Net amount reported on the Statements of financial position $m	Other recognised financial instruments $m	Cash and other financial collateral $m	Other collateral for exposure not subject to enforceable netting arrangement[1] $m	Net exposure $m
							2022
Reverse repurchase agreements	8,649	-	8,649	-	(8,649)	-	-
Settlement assets[4]	7,001	(1,672)	5,329	(2,933)	-	-	2,396
Other assets[5]	334	(59)	275	(83)	(4)	-	188
Due from related body corporate entities[6]	17,545	(4,342)	13,203	(1,390)	(403)	-	11,410
Total assets	33,529	(6,073)	27,456	(4,406)	(9,056)	-	13,994
Settlement liabilities[4]	(7,144)	1,672	(5,472)	2,947	-	-	(2,525)
Other liabilities[5]	(326)	59	(267)	69	20	-	(178)
Due to related body corporate entities[6]	(39,521)	4,342	(35,179)	1,390	1,288	-	(32,501)
Total liabilities	(46,991)	6,073	(40,918)	4,406	1,308	-	(35,204)

1. Related amounts not offset have been limited to the net amount presented in the Statement of financial position so as not to include the effect of over-collateralisation.
2. Gross amounts for assets include $379 million of settlements assets, $161 million of derivative assets and $6,072 million of due from related body corporate entities not subject to enforceable netting arrangements. Gross liabilities includes $432 million of settlements liabilities, $143 million of derivative liabilities and $1,063 million of due to related body corporate entities not subject to enforceable netting arrangements.
3. Amounts not subject to enforceable netting arrangements are where either there are no master netting agreements or enforceability of agreement is uncertain under bankruptcy laws in some countries or industries.
4. Excludes margin money assets of $369 million and liabilities of $109 million presented under Note 4 *Settlement, margin money and trading assets* and Note 13 *Settlement, margin money and trading liabilities* respectively on the Statements of financial position.
5. Only includes derivative assets and derivative liabilities presented under Note 6 *Other assets* and Note 14 *Other liabilities* respectively.
6. Excludes margin money and non-financial assets of $1,528 million and liabilities of $612 million presented under Due from related body corporate entities and Due to related body corporate entities respectively on the Statements of financial position.

Note 31
Pledged assets and transfer of financial assets

Pledged assets

Items pledged as security for liabilities include the following:

- securities and commodities included under trading assets pledged as collateral for stock lending arrangements and trading liabilities. These transactions are governed by standard industry agreements
- loan assets held by the Consolidated SEs provided as collateral against borrowings
- due from related body corporate entities balances provided as collateral against intercompany guarantees
- other types of financial and non-financial assets provided as collateral for borrowings and issued debt securities.

The table below represents items that have been pledged as security for liabilities:

	2023 $m	2022 $m
On Balance Sheet items:		
Cash and bank balances	**454**	115
Settlement, margin money and trading assets	**288**	706
Financial investments[1]	**1,172**	852
Loan assets	**4,272**	92
Due from related body corporate entities[2]	**6,286**	4,953
Property, plant and equipment	**455**	260
Intangible assets	**961**	814
Other assets	**427**	301
Total On Balance Sheet assets pledged for liabilities	**14,315**	8,093

Transfer of financial assets

The Consolidated Entity may enter into transactions in the normal course of business that transfer risks and rewards of financial assets recognised in the Consolidated Entity's Statement of financial position to other entities. Depending on the criteria discussed in Note 37(vi) *Financial instruments*, the Consolidated Entity may be unable to derecognise the transferred asset, be able to derecognise the transferred assets in full or continue to recognise the asset to the extent of its continuing involvement.

Transferred financial assets that are derecognised

When financial assets are derecognised, some continuing involvement may be retained in the assets in the form of liquidity support, financial guarantees, certain derivatives or retention of part of securitisation interests. For the financial years ended 31 March 2023 and 31 March 2022, there were no transfers of financial assets where the Consolidated Entity has had continuing involvement.

1. Represents securities provided as collateral by the Consolidated Entity to guarantee MBL's exposure with certain Non-Bank group entities.
2. Represents cash collateral provided by the Consolidated Entity to guarantee MBL's exposure with certain Non-Bank group entities.

Transferred financial assets that are not derecognised

The Consolidated Entity did not derecognise financial assets to the extent of continuing involvement during the years ended 31 March 2023 and 31 March 2022. The following transactions typically result in the transferred assets continuing to be recognised in full.

Repurchase and securities lending agreements

Securities and commodities sold under an agreement to repurchase and securities subject to lending agreements continue to be recognised in the Statement of financial position and an associated liability is recognised for the consideration received.

Where securities are transferred in return for the loan of other securities or on an unsecured basis in return for a fee, the transferred asset continues to be recognised in full. There is no associated liability as the securities received are not recognised on the balance sheet. The Consolidated entity is unable to use, sell or pledge the transferred assets for the duration of the transaction and remains exposed to interest rate risk and credit risk on these assets.

In certain arrangements the transferee cannot otherwise sell or pledge the transferred securities, however, the assets may be substituted if the required collateral is maintained.

Other financial transfers not derecognised

Includes loans and leases sold or lent to an external funder but the Consolidated Entity still has full economic exposure to them. In such instances, the Consolidated entity has a right to receive cash from the lessee and an obligations to pay those cash flows to the external funder.

The following table provide a summary of financial assets that have been transferred in such a way that part or all of the transferred financial assets do not qualify for derecognition, together with associated liabilities.

			For those liabilities that only have recourse to the transferred assets		
	Carrying amount of transferred assets $m	Carrying amount of associated liabilities $m	Fair value of transferred assets $m	Fair value of associated liabilities $m	Net fair value $m
					2023
Other financial assets not derecognised:					
Loan assets	**109**	**(109)**	**109**	**(109)**	**-**
Total financial assets not derecognised	**109**	**(109)**	**109**	**(109)**	**-**
					2022
Financial assets not derecognised due to repurchase and securities lending agreements:					
Settlement, margin money and trading assets[1]	81	(24)	-	-	-
Other financial assets not derecognised:					
Loan assets	92	(92)	92	(92)	-
Total financial assets not derecognised	173	(116)	92	(92)	-

1. Included assets transferred under repurchase agreement liabilities or in return for the loan of other securities where there is no associated liability on the Consolidated Entity's Statements of financial position.

Note 32
Audit and other services provided by PricewaterhouseCoopers

During the financial year, PricewaterhouseCoopers (PwC) and its network firms, the auditor of the Consolidated Entity and the Company, earned the following remuneration:

	2023 $'000	2022[1] $'000
Audit of the Group and controlled entities[2]		
PwC - Australia	**5,040**	5,084
Network firms of PwC Australia	**5,930**	7,954
Total audit services	**10,970**	13,038
Audit-related services[3]		
PwC – Australia	**-**	-
Network firms of PwC Australia	**370**	55
Total audit-related services	**370**	55
Total audit and audit-related services	**11,340**	13,093
Taxation Services		
PwC – Australia	**83**	50
Network firms of PwC Australia	**242**	743
Total taxation services	**325**	793
Other services		
PwC – Australia	**-**	-
Network firms of PwC Australia	**71**	550
Total other services	**71**	550
Total other non-audit services	**396**	1,343
Total remuneration paid to PwC for audit, audit-related and other non-audit services	**11,736**	14,436

Use of PwC's services for engagements other than audit is restricted in accordance with the Consolidated Entity's *Audit and Assurance Independence Policy*. It is the Consolidated Entity's policy to seek competitive tenders for all major advisory project and all non-audit services provided by PwC have been approved in accordance with its *Audit and Assurance Independence Policy*.

1. Comparative information has been restated to conform to presentation in the current year.
2. Prior period includes additional fees of $27 thousand (2022: $429 thousand) for PwC Australia and $818 thousand (2022: $2,884 thousand) for network firms of PwC Australia that related to the year ended 31 March 2022 but were incurred during the 2023 financial year.
3. Audit related services consist of assurance and related services traditionally performed by the independent external auditor of the Consolidated Entity. While in addition to their statutory audit role, these services are consistent with the role of the external auditor and include statutory assurance and other assurance services such as engagements required under regulatory, prudential, legislative or financing programmes as well as reviews requested by regulators and other agreed upon procedures.

Note 33
Assets, liabilities and disposal groups classified as held for sale and discontinued operations

(i) Description of significant transactions

1. Restructure of certain Macquarie Asset Management businesses

Based on the MGL Board's decision during 2018 to restructure the Non-Bank Group and separate certain Macquarie Asset Management (MAM) businesses from the remainder of the Non-Bank Group (the restructure) the Consolidated Entity classified certain Macquarie Asset Management (MAM) businesses as held for sale in the Statement of financial position and its operations were presented as discontinued operations in the income statement.

A substantial portion of the restructure was completed during the financial year ended 31 March 2020 with the remainder of the restructure expected to be completed in future reporting periods. Assets and liabilities expected to be transferred in the coming year have been presented as held for sale and discontinued operations in current and previous reporting periods.

2. Other

In addition to the above-mentioned significant transaction, other assets and liabilities have been classified as held for sale include investments in associates and joint ventures and the assets and liabilities of other disposal groups which, individually or as a disposal group, do not meet the criteria for classification as discontinued operations under Australian Accounting Standards.

(ii) Assets and liabilities classified as held for sale

	2023 $m	2022 $m
Assets classified as held for sale		
Cash and bank balances	**16**	111
Financial investments	**37**	21
Other assets[1]	**699**	190
Property, plant and equipment	**29**	533
Interests in associates and joint ventures	**408**	803
Intangible assets	**204**	-
Deferred tax assets[2]	**103**	61
Total assets classified as held for sale	**1,496**	1,719
Liabilities classified as held for sale		
Other liabilities[3]	**394**	495
Borrowings	**67**	353
Deferred tax liabilities[2]	**172**	5
Total liabilities classified as held for sale[3]	**633**	853

1. Included fee and commission receivables of $52 million (2022: $42 million), fee related contract receivables of $468 million (2022: $68 million).
2. Deferred tax assets (DTA) and Deferred tax liabilities (DTL) which were classified as assets and liabilities of disposal groups as held for sale as at 31 March 2023 in relation to the MAM business are as follows: Tax losses $6 million DTA (2022: $5 million DTA), Other assets and liabilities $49 million DTA (2022: $65 million DTA), Financial investments and interests in associates and joint ventures $124 million DTL (2022: $41 million DTL).
3. Includes employee related payables of $223 million (2022: $200 million).

(iii) Income Statement

The financial results of the MAM business comprising of the Consolidated Entity's discontinued operations are presented below:

	2023 $m	2022 $m
Fee and commission income[1]	**852**	800
Investment income[2]	**111**	169
Net trading expense	**(5)**	(7)
Other operating income/(charges)	**10**	(3)
Net operating income	**968**	959
Operating expenses	**(431)**	(479)
Operating profit from discontinued operations before income tax	**537**	480
Income tax expense	**(140)**	(112)
Profit from discontinued operations after income tax attributable to the equity holder of the Consolidated Entity	**397**	368

(iv) Cash flow information

The cash flow information comprising of the Consolidated Entity's discontinued operations of certain of the MAM businesses are presented below:

	2023 $m	2022 $m
Net cash flows		
Net cash flows utilised in operating activities	**(46)**	(641)
Net cash flows generated from investing activities	**46**	641
Net decrease in cash and cash equivalents from discontinued operations	**-**	-
Cash and cash equivalents at the beginning of the financial year	-	-
Cash and cash equivalents at the end of the financial year	-	-

1. Includes $675 million (2022: $263 million) of base and performance fees.
2. Includes dividend of $53 million (2022: $155 million) received from associates and joint venture investments and net gain on sale of associates and joint ventures of $59 million (2022: $1 million)

Note 34
Acquisitions and disposals of subsidiaries and businesses

Held for investment purposes

Acquisitions of subsidiaries and businesses

Subsidiary acquired during the current year includes OGL Computer Support Holdings for a total consideration of $76 million. On acquisition, net assets of $20 million and goodwill of $56 million were recognised in the Statement of Financial Position.

Subsidiaries and businesses acquired or consolidated during the previous year primarily includes Procentrix, Inc., Radzyn Clearn Energy Poland Sp. Z O.O., Gana Energy Ltd. and Wavenet Group Holdings for a total consideration of $681 million. On acquisition, net assets of $201 million, non-controlling interest of $46 million and goodwill of $434 million were recognised on the Statement of Financial Position.

Held for investment purposes

Disposal of subsidiaries and businesses:

Subsidiaries and businesses disposed of or deconsolidated during the current year primarily includes Collfield Investments sp. Z.o.o, Nordic Renewable Power (Holdings) AB, OpenFiber Kentucky Company, LLC and CMC Rallroad, LLC for a total consideration of $679 million. Disposal resulted in deconsolidation of net assets of $314 million and non-controlling interest of $4 million, resulting in the recognition of investment income (gain on disposal) of $369 million in the income statement.

Subsidiaries and businesses disposed of or deconsolidated during the previous year primarily includes Bernard Midco Limited, Business Keeper AG, Savion LLC, Dovel Holdings I LLC and Brigid UK Investments for a total consideration of $3,114 million. These disposals resulted in deconsolidation of net assets of $857 million and non-controlling interests of $46 million, resulting in the recognition of investment income (gain on disposal) of $2,303 million in the income statement.

Note 35
Company financial information

Summary financial information for the Company is as follows:

	2023 $m	2022 $m
Statement of financial position		
Assets		
Current assets	**24,791**	24,010
Non-current assets[1,2]	**37,942**	33,665
Total assets	**62,733**	57,675
Liabilities		
Current liabilities	**17,368**	19,918
Non-current liabilities[3]	**32,998**	24,264
Total liabilities	**50,366**	44,182
Equity		
Contributed equity	**11,368**	12,352
Reserves	**47**	37
Accumulated retained earnings[2]	**952**	1,104
Total equity	**12,367**	13,493
Statement of comprehensive income		
(Loss)/profit after income tax for the financial year[4]	**(151)**	3,566
Total comprehensive (loss)/income for the financial year	**(151)**	3,566
Off balance sheet exposures		
Letters of credit, indemnities and guarantees[5,6,7]	**14,546**	10,031
Asset development commitments	**539**	660

1. Non-current assets primarily comprise of investments in and long term funding to non-bank subsidiaries and related body corporates. Macquarie Corporate Holdings Pty Limited incorporated in Australia, is a notable direct subsidiary of the Company through which it funds majority of its operating subsidiaries in Australia and overseas.
2. In accordance with its accounting policies, the Company reviewed its investment in subsidiaries for the indicators of impairment and where applicable, reversal of impairment. Where its investments had indicators, the investments' carrying value was compared to its recoverable value which was determined as the higher of value-in-use and fair value less cost to sell (valuations). The valuations have been calculated using the subsidiaries' maintainable earnings, growth rates and relevant earnings' multiples.
3. Non-current liabilities primarily comprise of long-term borrowings from MGL.
4. Prior year included dividends of $403 million received/receivable from subsidiaries and an impairment reversal of $3,357 million for investment in subsidiaries.
5. Guarantees issued by the Company are predominantly relating to its subsidiaries for trading and settlement obligations.
6. Includes guarantees of $6,284 million (2022: $4,953 million) in favour of MBL for certain exposures with Non-Extended Licenced Macquarie Group entities. The Company has placed cash collateral of a similar amount as per the terms of the guarantee arrangement.
7. Includes guarantees and letters of credit provided by the Company over performance obligations and investment commitments of subsidiaries.

Note 36
Events after the reporting date

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

Note 37
Significant accounting policies

(i) Principles of consolidation

Subsidiaries

The consolidated Financial Report reflects the financial performance and financial position of the Consolidated Entity. Subsidiaries are all those entities (including structured entities) which the Consolidated Entity controls. The Consolidated Entity controls an entity where it has:

- power to direct the relevant activities
- exposure, or rights, to variable returns, and
- the ability to utilise power to affect the entity's returns.

The determination of control is based on current facts and circumstances and is continuously assessed. The Consolidated Entity has power over an entity when it has existing substantive rights that provide it with the current ability to direct the entity's relevant activities, being those activities that significantly affect the entity's returns. The Consolidated Entity also considers the entity's purpose and design. If the Consolidated Entity determines that it has power over an entity, the Consolidated Entity then evaluates its exposure, or rights, to variable returns by considering the magnitude and variability associated with its economic interests.

All variable returns are considered in making that assessment including, but not limited to, returns from debt or equity investments, guarantees, liquidity arrangements, variable fees and certain derivative contracts. In certain instances, the Consolidated Entity has determined that it controls entities that it has less than half of the voting rights on the basis of its ability to direct the relevant activities of those entities.

Structured entities

Structured Entities (SEs) are those entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when voting rights relate to administrative tasks only and the relevant activities of the SE are directed by means of contractual arrangements. When assessing whether the Consolidated Entity controls (and therefore consolidates) a SE, judgement is required as to whether the Consolidated Entity has power over the relevant activities as well as exposure, or rights, to variable returns of the SE.

Where the Consolidated Entity has power over the SE's relevant activities, has assessed that its exposure to variable returns (through the residual risk associated with its involvement in SEs) is sufficient, and is able to affect its returns, the underlying assets, liabilities, revenues and expenses of these SEs are reported in the consolidated financial statements. Refer to Note 25 *Structured entities* for further information related to both consolidated and unconsolidated structured entities.

Consolidation

The effects of all transactions between subsidiaries in the Consolidated Entity are eliminated in full. Unrealised losses are eliminated in the same manner as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests (NCI) in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of financial position and are determined on the basis of the Consolidated Entity's present ownership interest in the entity.

Where control of an entity was obtained during the financial year, its results are included in the consolidated income statement from the date on which control was obtained. Where control of an entity ceased during the financial year, its results are included for that part of the financial year during which control existed.

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

Subsidiaries held by the Company are carried in its financial statements at cost less accumulated impairment.

Interests in associates and joint ventures

Associates and joint ventures are entities over which the Consolidated Entity has significant influence or joint control. Existing ownership interests (including in substance ownership interests) in associates and joint ventures are accounted for under the equity method. In-substance ownership interests are interests that are substantially similar to an investee's ordinary shares. Equity accounting of the ownership interests is applied from the date that the Consolidated Entity has significant influence or joint control and ceases when the Consolidated Entity no longer has significant influence or joint control.

The Consolidated Entity determines the dates of obtaining or losing significant influence or joint control of another entity based on an assessment of all pertinent facts and circumstances that affect the ability to significantly influence the financial and operating policies or jointly control the relevant activities of that entity. Facts and circumstances that have the most impact include the contractual arrangements agreed with the counterparty, the manner in which those arrangements are expected to operate in practice, and whether regulatory approval is required (including the nature of such approval). The acquisition or disposal date does not necessarily occur when the transaction is closed or finalised under law.

The equity method of accounting is applied in the consolidated Financial Report and requires the recognition of the Consolidated Entity's share of its associates' and joint ventures' post acquisition profits or loss (including impairments of the associates' or joint ventures' assets) in the consolidated income statement, and the share of the post-acquisition movements in other comprehensive income in the consolidated statement of comprehensive income. Transactions reported directly in equity (besides those reflected in other comprehensive income) are accounted for by the Consolidated Entity in accordance with the substance of the transaction and whether the transaction is dilutive to the Consolidated Entity's ownership interest. Where the transaction is dilutive, the impact is recorded as part of the Consolidated Entity's share of profits or losses of associates and joint ventures.

Equity accounting of losses is restricted to the Consolidated Entity's interests in its associate or joint venture unless the Consolidated Entity has an obligation or has made payment on behalf of the entity.

Long-term interests in an associate or joint venture, to which the equity method is not applied but in-substance form part of the net investment in the associate or joint venture, are accounted for in accordance with the Consolidated Entity's financial instruments' accounting policies, which includes accounting for expected credit losses, where applicable. Subsequently, the loss allocation and impairment requirements in AASB 128 *Investments in Associates and Joint Ventures* are applied to long-term interests.

At the end of each reporting period, management reviews the Consolidated Entity's investments in associates and joint ventures for indicators of impairment. Where there is an indicator of impairment, the carrying amount of the investment is tested for impairment by comparing its recoverable amount with its carrying value. Impairment losses are recognised in other impairment charges/reversal. A reversal of a previously recognised impairment loss is recognised only to the extent that the investment's carrying value does not exceed the carrying amount that would have been determined (including consideration of any equity accounted losses) if no impairment loss had been recognised.

Interests in associates and joint ventures are classified as held for sale when the Consolidated Entity determines that the interest will be recovered principally through a sale transaction rather than through continuing use. Equity accounting is suspended when the interest is classified as held for sale.

On disposal of an investment in an associate or a joint venture, the difference between the sales consideration, any retained interest and the carrying value is recognised as a gain or loss in investment income as part of other operating income and charges together with any gains and losses in OCI that related to the associate or joint venture.

Changes in ownership interests

When acquiring additional interests:

- of a financial asset (such that it becomes an associate, joint venture or subsidiary), or
- in an investment in an associate or joint venture (such that it becomes a subsidiary), where the underlying entity constitutes a business,

previously held interests are revalued to their fair value and any gain or loss is recognised in investment income as part other operating income and charges.

Similarly, when selling ownership interests of a subsidiary (such that control is lost), or an investment in an associate or joint venture (such that it becomes a financial asset), retained ownership interests are revalued to their fair value and any gain or loss is recognised in investment income as part of other operating income and charges. Retained ownership interests are not revalued where the sale represents a contribution to an associate or joint venture.

Increases and decreases in the Consolidated Entity's interest in a subsidiary (that do not result in the loss of control) are accounted for directly within equity. Increases in the Consolidated Entity's ownership interest in an associate or joint venture are accounted for as an increase in the carrying value of the interest in associate or joint venture. The difference between the reduction in the Consolidated Entity's interest in an associate or joint venture that remains an associate or joint venture and the fair value of consideration received is accounted for as a gain or loss within investment income as part of other operating income and charges. A proportionate amount of associated OCI is reclassified to profit or loss, or reclassified within equity, as would otherwise be required on disposal of the underlying position.

(ii) Business combinations

Distinguishing between whether assets or a business is acquired involves judgement. The Consolidated Entity identifies a business where an acquired integrated set of activities and assets includes an economic resource (input) and a substantive process that together significantly contribute to the ability to provide goods or services to customers, generate investment income or other income from ordinary activities (outputs).

On a transaction-by-transaction basis, the Consolidated Entity may use a practical expedient to determine that an acquired set of activities is not a business. Under this assessment, the transaction is accounted for as an asset acquisition if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

Business combinations are accounted for using the acquisition method. The consideration exchanged is measured as the aggregate of the acquisition-date fair values of assets transferred, equity instruments issued, and liabilities incurred. Transaction costs of a business combination are recognised directly in the consolidated income statement as part of other operating expenses.

Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured at fair value on the acquisition date. The Consolidated Entity elects, on a transaction-by-transaction basis, to initially measure NCI either at fair value or at the NCI's proportionate share of the fair values of the identifiable assets and liabilities.

Goodwill is measured as the excess of the consideration exchanged, recognised NCI, and the fair value of previously held equity interests over the fair value of the identifiable net assets of the business acquired and is recognised as part of intangible assets in the Statement of financial position. Goodwill is subsequently measured at cost less accumulated impairment.

If the consideration is less than the Consolidated Entity's share of the fair value of the identifiable net assets of the business acquired, the difference is recognised in investment income as part of other operating income and charges, but only after a reassessment of the identification and measurement of the net assets acquired.

Contingent consideration that is dependent on any subsequent event is measured at fair value with changes in its fair value recognised in investment income as part of other operating income and charges.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present values as at the acquisition date. The discount rate used is the Consolidated Entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Combinations between entities or businesses under common control

Business combinations involving entities or businesses that are ultimately controlled by the same parent entity, are accounted for at book value.

Where the Consolidated Entity acquires, as part of a common control transaction, assets that meet the definition of a business, the assets and liabilities acquired are recorded using the book values included in the consolidated financial statements of the entity having the highest level within the common control group, where applicable, are presented gross of any accumulated amortisation, depreciation and impairment, and reflected on a prospective basis. The Consolidated Entity accounts for the difference between the consideration paid (and the book value of the assets and liabilities acquired) as a restructure reserve in equity, generally in retained earnings.

In the Consolidated Entity's financial statements, to the extent the common control transaction occurred between entities ultimately controlled by MFHPL, the selling entity's gains and losses relating to a common control transaction are eliminated against the amount recorded in the acquirer's equity relating to the common control transaction.

(iii) Foreign currency translation

Functional and presentation currency

The functional currency of each entity (including branches) in the Consolidated Entity is determined as the currency of the primary economic environment in which the entity operates. The Consolidated Entity and 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 entity's functional currency using the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of each reporting period:

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

Foreign exchange gains and losses arising from the settlement or translation of monetary items, or non-monetary items measured at fair value are recognised in net trading income, with one exception. Where such monetary items are designated as hedging instruments in qualifying cash flow hedge or net investment hedge relationships, the foreign exchange gains and losses may be deferred in OCI to the extent the hedge is effective (refer to Note 26 *Hedge accounting* and Note 37(ix) *Derivative instruments and hedging activities*).

Subsidiaries and other entities

The results and financial position of all entities that have a functional currency other than Australian dollars are translated into Australian dollars as follows:

- assets and liabilities for each Statement of financial position presented are translated at the closing exchange rate at the date of that Statement of financial position. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and are translated at the closing exchange rate
- income and expenses for each income statement are translated at actual or average exchange rates at the dates of the transactions
- all resulting exchange differences are recognised in OCI within a separate component of reserves, being the foreign currency translation reserve (FCTR).

Foreign currency gains and losses on intragroup loans are recognised in the income statement except where the loan is in substance part of the Consolidated Entity's net investment in the foreign operation, in which case the foreign currency gains and losses are recognised in the Consolidated Entity's FCTR.

The exchange gains or losses recognised in FCTR are reclassified to the income statement or reattributed within equity as follows:

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

(iv) Revenue and expense recognition

Net interest income

Interest income and interest expense (with the exception of borrowing costs that are capitalised on a qualifying asset which is not measured at fair value) are recognised using the effective interest rate (EIR) method for financial assets and financial liabilities carried at amortised cost, and debt financial assets classified as at fair value through OCI. The EIR method calculates the amortised cost of a financial instrument at a rate that discounts estimated future cash receipts or payments through the expected life of the financial instrument to the net carrying amount of the financial asset or liability. The calculation of the EIR does not include ECL. Fees and transaction costs that are integral to the lending arrangement are recognised in interest income or interest expense, as applicable, over the expected life (or, when appropriate, a shorter period) of the instrument in accordance with the EIR method.

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

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

Fee and commission income

Revenue earned by the Consolidated Entity from its contracts with customers primarily consists of the following categories of fee and commission income.

Base and other asset management fees, and performance fees

The Consolidated Entity earns base and other asset management and performance fees for providing asset management services for listed and unlisted funds, managed accounts and co investments arrangements. It has been determined that the provision of asset management services is typically a single performance obligation.

Base management fees are recognised over the life of the contract as the asset management services are provided. Any associated performance fees are deemed to be a variable component of the same asset management service and are recognised only when it is highly probable that the performance hurdles are met, and a significant reversal of cumulative fees recognised to date will not occur. Determining the amount and timing of performance fees to be recognised involves judgement, the use of estimates (including management estimates of underlying asset values) and consideration of a number of criteria relating to both the fund or managed account in which the asset(s) are held, as well as the underlying asset(s), such as:

- the extent to which performance fee liabilities have been accrued by the fund or managed account to date or consideration of the current valuation case of the assets in relation to the related performance fee hurdle rate
- the proportion of assets realised and returns on those assets
- nature of remaining underlying fund or managed account's assets and potential downside valuation risks on each
- time remaining until realisation of the assets and the fund's life or asset management services' timeline
- consideration of the ability to dispose of the asset, including any barriers to divest.

Mergers and acquisitions, advisory and underwriting fees

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

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

Brokerage and other trading-related income

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

Other fee and commission income

Other fee and commission income is recognised when the performance obligation is satisfied.

The revenue recognition policies above are also applied to internal fee sharing arrangements between entities within the Macquarie Group. Management fees and other cost recoveries are recognised as and when the Consolidated Entity performs a service to other entities within the Macquarie Group as per the agreed cost or profit sharing arrangements.

Net operating lease income

Operating lease income is recognised on a straight-line basis over the lease term and is presented net of the related depreciation expense.

Other operating income and charges

Other operating income and charges includes investment income, and other income.

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

Gains or losses on the change of control, joint control and/or significant influence and reclassifications to/from held for sale also forms part of investment income. Refer to Note 37(i) *Principles of consolidation* for details on the timing of recognition of such gains or losses.

Dividends

Dividends or distributions are recognised when the right to receive a dividend or distribution is established, it is probable the economic benefits associated with the dividend will flow to the Company and/or Consolidated Entity and the dividend can be measured reliably.

Dividends or distributions from HFT assets are recognised in net trading income, as investment income as part of other operating income and charges for other financial assets measured at FVTPL or FVOCI, or as a reduction to the carrying amount of the investment in associates and joint ventures in the Consolidated Entity's Statement of financial position. Where associates and joint ventures are classified as held for sale, dividends or distributions are recognised within other income as part of other operating income and charges.

Judgement is applied in determining whether distributions from subsidiaries, associates and joint ventures are to be recognised as dividend income or as a return of capital. Distributions that represent a return of capital are accounted for by the Company as a reduction to the cost of its investment and are otherwise recognised by the Company within investment income as part of other operating income and charges when the recognition criteria are met.

Expenses

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

(v) Taxation

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

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

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

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

Tax consolidation

The Consolidated Entity's Australian tax liabilities are determined according to tax consolidation legislation.

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 and the relevant subsidiaries are not liable to make income tax payments and do not recognise any current tax balances or any deferred tax assets arising from unused tax losses or credits.

The TCG recognises its current and deferred taxes using the 'group allocation approach' detailed in AASB UIG *Interpretation 1052 Tax Consolidation Accounting* (AASB Interpretation 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 *Income taxes*, 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 AASB Interpretation 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 tax consolidated group.

Goods and services tax (GST)

Where GST (or other value added tax) is not recoverable from global tax authorities, it is either capitalised to the Statement of financial position as part of the cost of the related asset or is recognised as part of other operating expenses. Where GST (or other value added tax) is recoverable from or payable to global tax authorities, the amount is recorded as a separate asset or liability in the Statement of financial position.

(vi) Financial instruments

Recognition of financial instruments

Financial instruments are recognised when the Consolidated Entity 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 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.

The best evidence of a financial instruments' fair value at initial recognition is its transaction price, unless its fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique for which variables include only inputs from observable markets. Where such alternative evidence exists, the Consolidated Entity recognises profit or loss immediately when the instrument is recognised ('day 1 profit or loss'). When significant unobservable inputs are used to determine fair value, the day 1 profit or loss is deferred and is recognised in net trading income over the life of the transaction or when the inputs become observable.

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

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

Derecognition of financial instruments

Financial assets

Financial assets are derecognised from the Statement of financial position when:

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

A financial asset is transferred if, and only if, the Consolidated Entity 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 Consolidated Entity is:

- not obligated to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset
- prohibited from selling or pledging the original asset other than as security to the eventual recipients, and
- obligated to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In transactions where the Consolidated Entity 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 Consolidated Entity is recognised as a separate asset or liability.

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

Financial liabilities

Financial liabilities are derecognised from the Statement of financial position when the Consolidated Entity's obligation has been discharged, cancelled or has expired.

Gains and losses on the derecognition of debt financial assets and liabilities

Gains and losses arising from the derecognition of debt financial assets or financial liabilities are recognised in:

- net trading income in respect of trading-related balances that are subsequently measured at amortised cost
- investment income within other operating income and charges in respect of financial investments and loans to associates, and
- other income and charges as part of other operating income and charges for all other financial assets and financial liabilities.

Financial guarantee contracts issued

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under AASB 9, or
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of AASB 15 *Revenue from Contracts with Customers*.

Modification of financial instruments

A financial instrument is modified when its original contractual terms 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 that is renegotiated 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 derecognition 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, and for debt financial assets measured at FVOCI, when the modification does not result in derecognition, 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.

Classification and subsequent measurement

Financial assets

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

Business model assessment

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

- how the performance of the financial assets held within that business model is evaluated and reported to the Consolidated Entity's Senior Management personnel and senior executives
- 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
- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

Solely payment of principal and interest (SPPI)

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

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,
- the contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI requirements,
- the financial asset has not been classified as DFVTPL.

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

Fair value through other comprehensive income (FVOCI)

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

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

Subsequent changes in fair value are recognised in OCI, with the exception of interest (which is recognised as part of interest income), ECL (which is recognised in credit and other impairment charges/reversal) and foreign exchange gains and losses (which are recognised in net trading income) and is net of any related hedge accounting adjustments. When debt financial assets classified as at FVOCI are derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI to investment income in respect of debt financial investments and loans to associates, or to other income and charges as part of other operating income and charges for all other financial assets.

Fair value through profit or loss (FVTPL)

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

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

- financial assets that are held for active trading (held for trading (HFT)). This classification includes all derivative financial assets, except those that are designated as hedging instruments in qualifying hedge relationships and are classified as FVTPL
- financial assets in a business model whose objective is achieved by managing the financial assets on a fair value basis in order to realise gains and losses as opposed to a business model in which the objective is to collect contractual cash flows (FVTPL)
- financial assets that fail the SPPI test (FVTPL), and

- financial assets that have been designated to be measured at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch (DFVTPL).

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

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

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

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

Reclassification of financial instruments

The Consolidated Entity reclassifies debt 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 asset's new measurement category.

The Consolidated Entity does not reclassify financial liabilities after initial recognition.

Financial liabilities

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

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

All derivative financial liabilities are classified as HFT, except those that are designated as hedging instruments in qualifying hedge relationships and are classified as FVTPL. Refer to Note 37(ix) *Derivative instruments and hedging activities* for the detailed hedge accounting policy.

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

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in 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.

(vii) Cash collateral on securities borrowed and lent and repurchase and reverse repurchase agreements

As part of its trading and financing activities, the Consolidated Entity borrows and lends securities, commodities and other assets ('underlying') on a collateralised basis. The underlying that is subject to the arrangement is not derecognised from the Statement of financial position of the relevant parties, as the risks and rewards of ownership remain with the initial holder.

These transactions include reverse repurchase transactions, where the Consolidated Entity purchases an underlying under an agreement to resell.

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

Reverse repurchase agreements are measured at FVOCI as they are held in a business model to both collect contractual cash flows and with the intention to sell.

Similar transactions with related body corporates are reported as part of *'Due to/from related body corporate entities.'* Refer Note 37(xvii).

(viii) Trading assets and liabilities

The Consolidated Entity uses trade date accounting when recording regular way purchases and sales of financial assets and liabilities that are classified as HFT. At the date a purchase transaction is entered into (trade date), the Consolidated Entity recognises the resulting financial asset or liability and any subsequent unrealised gain or loss arising from revaluing that contract to fair value as part of net trading income, except for interest income on HFT debt financial assets which is recognised in interest income. Refer to Note 37(vi) *Financial instruments*.

Trading assets (long positions) comprise financial instruments such as debt and equity securities, and commodities purchased with the intent of being actively traded either individually or as part of a portfolio.

Trading liabilities comprise obligations to deliver assets (short positions) across the same trading categories and which the Consolidated Entity intends to actively trade.

Commodity inventory is recognised when the Consolidated Entity controls the commodity, the determination of which includes consideration of price risk, and is measured at fair value less costs to sell in accordance with the broker-trader exemption, on the basis that such assets are acquired with the purpose of selling in the near future and generating a profit from fluctuations in price or broker traders' margin.

When the Consolidated Entity becomes party to a sale contract, and the derecognition criteria are met (refer to Note 37(vi) *Financial instruments*), it derecognises the trading asset or liability and recognises a trade receivable or trade payable from trade date until settlement date.

(ix) Derivative instruments and hedging activities

Derivative instruments entered into by the Consolidated Entity include futures, forwards and forward rate agreements, swaps and options in the interest rate, foreign exchange, commodity, credit and equity markets. These derivative instruments are principally used by the Consolidated Entity for the purposes of risk management of existing financial assets and liabilities and forecast transactions and are also entered into for client trading purposes.

Derivatives are recognised in the Statement of financial position as an asset where they have a positive fair value at the reporting date or as a liability where they have a negative fair value at the reporting date.

Derivatives that may have both positive or negative values must meet both the asset and liability derecognition tests before being derecognised from the Statement of financial position.

Fair values are obtained from quoted prices in active markets where available, or valuation techniques including discounted cash flow models and option pricing models, as appropriate. The accounting for derivatives is subject to the application of the day 1 profit or loss policy as described in Note 37(vi) *Financial instruments*.

The Consolidated Entity applies trade date accounting to the recognition and derecognition of derivative financial instruments.

Hedge accounting

As part of its ongoing business, the Consolidated Entity is exposed to several financial risks, principally that of interest rate, foreign exchange rate and commodity price risk (collectively referred to as the hedged risk or exposure). The Consolidated Entity has limited appetite for such risks and has policies and practices in place to ensure that these risks are effectively managed. The Consolidated Entity mitigates these risks through the use of derivative financial instruments, and, in the case of foreign currency risk, foreign-denominated debt issued (collectively referred to as hedging instruments). The Consolidated Entity applies hedge accounting to manage accounting mismatches arising from the difference in measurement bases or location of the gains and losses recognised between the exposure that is being hedged and the hedging instrument. Refer to details provided in the table on the following page.

	Fair value hedge	Cash flow hedge	Net investment hedge
Nature of hedge	The hedge of the fair value risk of a financial liability.	The hedge of the change in cash flows of a financial liability or a highly probable forecast transaction	The hedge of changes in the Consolidated Entity's foreign denominated net assets for changes in foreign currency rates.
Hedged risk	• Interest rate risk	• Interest rate risk • Foreign exchange risk • Commodity price risk	• Foreign exchange risk
Hedged item	• Fixed interest rate financial liabilities	• Floating interest rate financial liabilities • Highly probable forecast foreign currency payments • Highly probable forecast commodity sales	• Net investment in foreign operations
Hedging instruments	• Interest rate swaps	• Interest rate swaps and options • Foreign exchange contracts • Commodity swaps and futures	• Foreign exchange contracts • Foreign currency denominated borrowings
Designation and documentation	At inception of the hedge relationship, documentation is required of the risk management objective and strategy for the hedge, the hedging instrument, hedged item, hedged risk and how the hedge relationship will meet the hedge effectiveness requirements.		
Hedge effectiveness method	All hedge relationships are assessed for prospective hedge effectiveness both at the inception of the hedge, at each reporting period and following any significant change in circumstances affecting the hedge, by demonstrating that: • an economic relationship exists between the hedged item and the hedging instrument • credit risk does not dominate the changes in value of either the hedged item or the hedging instrument; and • the hedge ratio is reflective of the Consolidated Entity's risk management approach. The hedge effectiveness assessment is performed by a combination of qualitative and, where applicable, quantitative assessments. Changes in the hedge ratio, or rebalancing, may be required to adjust the designated quantities of either the hedged item or the hedging instrument.		
Accounting treatment for the hedging instrument	Fair value through the income statement, aligned to the presentation of the hedged item.	Fair value through the cash flow hedge reserve as part of OCI, and then recognised in the income statement at the time at which the hedged item affects the income statement for the hedged risk.	Foreign exchange gains and losses are recognised in the Net Investment Hedge Reserve (NIHR), a separate component of FCTR in OCI.
Accounting treatment for the hedged item	Adjustments to the carrying value are recognised in the income statement for changes in fair value attributable to the hedged risk.	Accounted for on an amortised cost basis or under other accounting standards as appropriate (such as executory contracts for the sale of commodities).	Foreign exchange gains and losses are recognised in the Consolidated Entity's foreign currency translation reserve as part of OCI.
Accounting treatment for hedge ineffectiveness	Recognised as part of net trading income in the income statement to the extent that changes in fair value of the hedged item attributable to the hedged risk are not	Recognised as part of net trading income in the income statement to the extent to which changes in the fair value of the hedging instrument exceed, in absolute terms, the change in the fair value of the hedged item.	

	Fair value hedge	Cash flow hedge	Net investment hedge
	offset by changes in fair value of the hedging instrument.		
Accounting treatment if the hedge relationship is discontinued	Where the hedged item still exists, adjustments to the hedged item are amortised to the income statement on an EIR basis.	The gain or loss remains in the cash flow hedge reserve to the extent that the hedged cash flows are still expected to take place and subsequently recognised in the income statement at the time at which the hedged item affects the income statement for the hedged risk. Where the hedged cash flows are no longer expected to take place, the gain or loss in the cash flow hedge reserve is recognised immediately in the income statement.	The exchange gains or losses recognised in the NIHR within FCTR are reclassified to the income statement or reattributed within equity as follows: • if the hedge is discontinued due to a disposal of the hedged foreign operation, then the accumulated NIHR is reclassified from OCI to investment income within other operating income and charges • if there is a partial disposal of a foreign operation that is an associate or joint arrangement, without loss of significant influence or joint control, then a proportionate share of the accumulated NIHR is reclassified to investment income • if there is a partial disposal of a foreign operation that is a subsidiary, without loss of control, then a proportionate share of the accumulated NIHR is reattributed within equity to non-controlling interests.
Other accounting policies	None	The foreign currency basis spread of the hedging instrument, being the liquidity charge for exchanging different currencies, is excluded from the hedge designation. This spread is deferred in the cost of hedging reserve and released to the income statement at the time at which the hedged exposure affects the income statement.	

(x) Settlement and margin money assets and liabilities

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

(xi) Financial investments

Investment securities in this category include investments in equity or debt securities which are not actively traded by the Consolidated Entity.

Debt investment securities in this category comprise of liquid asset holdings, bonds, money markets and other debt securities.

Financial investments are initially recognised on trade date at fair value (adjusted for directly attributable transaction costs for debt investments subsequently measured at amortised cost or FVOCI) and subsequently measured in accordance with Note 37(vi) *Financial instruments*.

(xii) Loan assets

This category includes loans that are not held for trading purposes and typically includes the Consolidated Entity's lending activities to its customers.

Loan assets are initially recognised on settlement date at fair value (adjusted for directly attributable transaction costs for loan assets subsequently measured at amortised cost or FVOCI) and subsequently measured in accordance with Note 37(vi) *Financial instruments*.

Certain finance lease receivables are also presented as part of asset financing within loan assets. For the detailed policy on financial instruments, including treatment of derecognition, refer to Note 37(vi) *Financial instruments*.

(xiii) Property, plant & equipment and right-of-use assets

Property, plant and equipment are stated at historical cost (which includes, where applicable, directly attributable borrowing costs and expenditure directly attributable to the acquisition of the asset) less, accumulated depreciation and, where applicable, accumulated impairment losses.

Right-of-use (ROU) assets are initially measured at cost and comprise of the amount that corresponds to the amount recognised for the lease liability on initial recognition together with any lease payments made at or before the commencement date (less any lease incentives received), initial direct costs and restoration-related costs. Subsequently, it is stated at historical cost less accumulated depreciation and, where applicable, impairment losses, and adjusted for any remeasurement of lease liabilities.

Property, plant and equipment and right-of-use assets includes assets leased out under operating leases.

Depreciation is the process to allocate the difference between cost and residual values over the estimated useful life where the residual value exceeds the carrying value, no depreciation is charged. Depreciation is calculated on the following bases:

- diminishing balance method for aviation assets
- unit of production method for certain infrastructure assets
- straight-line basis for all other assets.

A ROU asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term.

Annual depreciation rates are summarised below:

Property, plant and equipment	Depreciation rates
Furniture, fittings and leasehold improvements[1]	10 to 20%
Infrastructure assets[2]	2 to 10%
Others	2.5 to 33%
Aviation	4%
Other operating lease assets	2 to 30%

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

The depreciation charge is recognised as part of:

- Net operating lease income for assets given on operating lease
- Occupancy expenses for corporate buildings
- Non-salary technology expenses for technology assets
- Net trading income for depreciation relating to leased assets held by trading-related businesses for the purpose of facilitating trading activities, and
- Other operating expenses for all other assets.

1. Where remaining lease terms are less than five years, leasehold improvements are depreciated over the remaining lease term.
2. Includes infrastructure assets, for which depreciation is calculated on a unit of production basis.

The Consolidated Entity does not recognise a ROU asset for short-term or low value leases, instead the expense is recognised over the lease term as appropriate as part of operating expenses.

(xiv) Goodwill and other identifiable Intangible assets

Goodwill

Goodwill is measured as the excess of consideration, recognised NCI, and the fair value of previously held equity interests over the fair value of the identifiable net assets of the business acquired. Goodwill arising from business combinations is included in intangible assets in the Statement of financial position.

Other acquired identifiable intangible assets

At the time at which the Consolidated Entity determines that it has acquired a business, the Consolidated Entity identifies intangible assets that are required to be initially recognised at fair value. An intangible asset is considered to have an indefinite useful life where it is expected to contribute to the Consolidated Entity's net cash inflows indefinitely.

The following intangible assets are typically identified and recognised by the Consolidated Entity:

- licences and trading rights: generally carried at cost less accumulated impairment loss. Where no contractual or legal limitation exists, these assets are not amortised because they are considered to have an indefinite useful life
- management rights: carried at cost less accumulated amortisation and accumulated impairment loss. Certain management right intangible assets, which have indefinite useful lives as the underlying income stream is related to the management of funds that have no defined end date and are expected to operate perpetually, are not amortised. For management rights that have a finite useful life, amortisation is calculated using the straight-line method to allocate the cost of management rights over the estimated useful life usually being a period not exceeding 20 years
- customer and servicing contracts acquired with a finite useful life: carried at cost less accumulated amortisation and accumulated impairment loss. Amortisation is calculated over the period for which the customer relationship is expected to exist
- customer and servicing contracts with an indefinite useful life: carried at cost less accumulated impairment loss.

Certain other intangible assets held for trading, including emission certificates, are measured at fair value less costs to sell in accordance with the broker-trader exemption (on the basis that such assets are acquired with the purpose of selling in the near future and generating a profit from fluctuations in price or broker traders' margin).

Amortisation of intangible assets held by trading related business is recorded in net trading income and for others is recognised in other operating expenses. Impairments/ (reversal of impairments) of intangible assets are recognised in other impairment charges/reversal.

Software

Certain internal and external costs directly incurred in acquiring and developing certain computer software programmes are capitalised and amortised over the estimated useful life, usually a period of three to seven years on a straight-line basis. The capitalised software asset is subject to impairment testing on an annual basis.

Costs incurred on the maintenance of software is expensed as incurred and recognised in other operating expenses.

(xv) Other assets and liabilities

Contract assets, contract liabilities and capitalised expenses

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

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

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

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

This category includes assets and disposal groups (groups of assets to be disposed in a single transaction and directly attributable liabilities) for which the carrying amount will be recovered principally through a sale or distribution transaction rather than continuing use. This includes assets and liabilities of businesses and subsidiaries, associates and joint ventures, other assets and liabilities, and subsidiaries that are acquired exclusively with a view to sell or distribute.

These assets and disposal groups are classified as held for sale when they are available for immediate sale in their present condition and the sale or distribution is highly probable, including that the sale or distribution is expected to occur within 12 months. Where there is a planned partial disposal of a subsidiary resulting in loss of control, but the Consolidated Entity retains an interest in the disposed subsidiary, the entire carrying value of the subsidiary's assets and liabilities is classified as held for sale.

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

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

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

Provisions and contingent liabilities

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation that has arisen as a result of past events and for which a reliable estimate can be made.

Contingent liabilities are either possible obligations whose existence will be confirmed only by uncertain future events, or they are present obligations where a transfer of economic resources is not probable or cannot be reliably measured. Contingent liabilities are not recognised on the balance sheet but are disclosed unless an outflow of economic resources is remote.

Contingent liabilities, which generally include letters of credit, performance-related contingents and guarantees are disclosed in Note 24 *Contingent liabilities and commitment*.

Employee benefit provisions

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

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

Provisions for unpaid employee benefits are derecognised when the benefit is settled or is transferred to another entity and the Company and Consolidated Entity are legally released from the obligation and do not retain a constructive obligation.

Dividends

Where a dividend is determined or resolved by the Board of Directors of the Company, the dividend liability and the corresponding reduction in retained earnings is recognised on the payment date.

(xvi) Borrowings

Borrowings include loans and other payables due to banks and financial institutions. These balances are subsequently measured at amortised cost.

(xvii) Due to/from related body corporate entities and subsidiaries

Transactions between the Consolidated Entity and other related body corporate entities under common control of MGL, the ultimate parent entity, and between the Company and its subsidiaries, principally arise from the provision of lending arrangements and other financial services, the provision of management and administration services, facilities and accommodation and the provision of financial guarantees. Refer to Note 37(iv) *Revenue and expense recognition* and Note 37(vi) *Financial instruments*.

Financial assets and financial liabilities are presented net where the offsetting requirements are met in accordance with Note 37(vi) *Financial instruments*, such that the net amount is reported in the Statement of financial position.

(xviii) Debt issued

Debt issued includes debt securities issued by the Consolidated Entity. These balances are subsequently measured at either amortised cost or are DFVTPL and measured at fair value in accordance with the Consolidated Entity's accounting policy for financial instruments, refer to Note 37(vi) *Financial instruments*.

(xix) Loan capital

Loan capital includes non-cumulative, unsecured debt issued by the Consolidated Entity to MGL, the ultimate parent entity, and that is mandatorily convertible into a variable number of the Company's ordinary shares, if not redeemed before the mandatory exchange date. Refer to Note 17 *Loan Capital*.

Capital instruments are first assessed to determine whether the Consolidated Entity is required to deliver cash or another financial asset on the occurrence of a contingent event that is considered genuine and is beyond the control of both the issuer and the holder. Where such a contingent event exists, the Consolidated Entity does not have the unconditional right to avoid delivering cash or another financial asset and the capital instrument is classified as a financial liability. The financial liability is initially measured at fair value plus directly attributable transaction costs and is subsequently measured at amortised cost.

For compound instruments that have both equity and liability features, the liability component is initially measured at fair value plus directly attributable transaction costs (and is thereafter measured at amortised cost using the EIR method), with the residual being accounted for within the Consolidated Entity's equity.

(xx) Impairment

Expected credit losses

The ECL requirements apply to financial assets measured at amortised cost or FVOCI, lease receivables, amounts receivable from contracts with customers, loan commitments, certain letters of credit and financial guarantee contracts issued that are not DFVTPL. The Consolidated Entity applies a three-stage approach to measuring the ECL based on changes in the financial asset's underlying credit risk and includes forward looking information (FLI).

The calculation of ECL requires judgement and the choice of inputs, estimates and assumptions. Refer to Note 8 *Expected credit losses* for further information. Outcomes within the next financial period that are different from management's assumptions and estimates could result in changes to the timing and amount of ECL to be recognised.

The ECL is determined with reference to the following stages:

(i) Stage I – 12 month ECL

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

(ii) Stage II – Not credit-impaired

When there has been a SICR since initial recognition, the ECL is determined with reference to the financial asset's lifetime PD and the lifetime losses associated with that PD, adjusted for FLI. The Consolidated Entity exercises judgement in determining whether there has been a SICR since initial recognition based on qualitative, quantitative, and reasonable and supportable information that includes FLI. Detail on the Consolidated Entity's process to determine whether there has been a SICR is provided in Note 8 *Expected credit losses*.

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

(iii) Stage III – Credit-impaired

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

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

Presentation of ECL allowances

The ECL allowances are presented in the Statement of financial position as follows:

- loan assets, loans to related body corporate entities and subsidiaries, associates and joint ventures measured at amortised cost – as a deduction to the gross carrying amount
- loan assets, loans to associates and joint ventures, and debt financial investments measured at FVOCI – as a reduction in the FVOCI reserve within equity. The carrying amount of the asset is not adjusted as it is measured at fair value
- lease receivables, contract receivables and other assets measured at amortised cost – as a deduction to the gross carrying amount
- undrawn credit commitments and financial guarantees (not measured at FVTPL) – as a provision included in other liabilities.

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

Impairment of interests in associates and joint ventures

The Consolidated Entity performs an assessment at each reporting date to determine whether there is any objective evidence that its interests in associates and joint ventures are impaired. The main indicators of impairment are significant changes in the market, economic or legal environment and a significant or prolonged decline in fair value below cost.

In making this judgement, the Consolidated Entity evaluates, among other factors, the normal volatility in share price and the period of time for which fair value has been below cost. If there is an indication that an investment in an associate or joint venture may be impaired, then the entire carrying amount of the investment in the associate or joint venture is tested for impairment by comparing the recoverable amount, being the higher of fair value less costs to sell and value-in-use, with its carrying amount.

Impairment losses recognised in the income statement for investments in associates and joint ventures are subsequently reversed through the income statement if there has been a change in the estimates used to determine the recoverable amount since the impairment loss was recognised. The impairment losses (reversal of impairments) on investments in associates and joint ventures are recognised in the income statement as part of other impairment charges/reversal.

Fair value less costs to sell is estimated using market-based approaches using revenues, earnings and assets under management and multiples based on companies deemed comparable as well as other publicly available information relevant to the business.

Value-in-use is calculated using pre-tax cashflow projections of operating revenue and expenses. Forecasts are extrapolated using a growth rate and discounted using a pre-tax discount rate incorporating market risk determinants, adjusted for specific risks related to the cash generating units, if any, and the environment in which it operates.

Impairment of investments in subsidiaries

Investments in subsidiaries in the Company's financial statements are reviewed annually for indicators of impairment or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is recognised in other impairment charges/reversal, for the amount by which the investment's carrying amount exceeds its recoverable amount, being the higher of fair value less costs to sell and value-in-use. At each reporting date, investments in subsidiaries that have been impaired are reviewed for possible reversal of impairment. The amount of any reversal of impairment recognised must not cause the investment's carrying value to exceed its original cost.

Impairment of goodwill and other intangible assets and property, plant and equipment and right-of-use assets

Intangible assets with indefinite lives (goodwill and certain intangible assets) are not subject to amortisation but are tested annually for impairment, or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable.

For intangible assets that have a finite useful life and property, plant and equipment and ROU assets, 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 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 (other than goodwill) for which an impairment loss has been recognised are reviewed for possible reversal of the impairment at each reporting date. A reversal is recognised only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised for the asset in prior years.

In relation to businesses acquired and held for disposal, the individual business is treated as a cash generating unit. Assets associated with strategic business acquisitions are allocated to each of the operating segments and assessed for impairment.

(xxi) Performance based remuneration

Share-based payments

The ultimate parent company, MGL, operates share-based compensation plans, which include awards (including those delivered through the Macquarie Group Employee Retained Equity Plan (MEREP)) granted to employees under share acquisition plans. Information relating to these schemes is set out in Note 23 *Employee equity participation*.

The Consolidated Entity accounts for its share-based payments as follows:

Equity settled awards: The awards are measured at their grant date fair value and based on the number of equity instruments expected to vest. Expenses are recognised as part of employment expenses with reference to the vesting period of those awards. To the extent that the Consolidated Entity does not compensate the ultimate parent for MEREP awards offered to its employees, a corresponding credit is recognised in contributed equity. To the extent the amount is paid in advance, a receivable due from the ultimate parent is recognised. The receivable is amortised to the income statement as share based payment expense over the vesting period. MEREP receivable amounts are recognised and disclosed in Note 21 *Related party information.*

Performance hurdles attached to Performance Share Units (PSUs) under the MEREP are not taken into account when determining the fair value of the PSUs at the grant date. Instead, these vesting conditions are taken into account by adjusting the number of equity instruments expected to vest.

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

Profit share remuneration

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

(xxii) Leases

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

(i) Accounting where the Consolidated Entity is the lessee

The Consolidated Entity leases corporate buildings, commodity storage facilities, technology and other equipment for which contracts are typically entered into for fixed periods of 12 months to 10 years and may include extension options. Leases are recognised as an ROU asset (as explained in Note 37(xiii) *Property, plant and equipment and right-of-use assets*) and a corresponding liability at the commencement date, being the date the leased asset is available for use by the Consolidated Entity.

Lease liability

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

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

When the lease liability is remeasured, a corresponding adjustment is made to the carrying value of the ROU asset, or, as net operating lease income, where the carrying value of the ROU asset has been reduced to zero.

Presentation

The Consolidated Entity presents ROU assets in Property, plant and equipment and right-of-use assets (refer to Note 10) and lease liabilities in other liabilities (refer to Note 14) in the Statement of financial position.

(ii) Accounting where the Consolidated Entity is a lessor

Leases where the lessee has substantially all the risks and rewards incidental to ownership of the leased assets are classified as finance leases. All other leases are classified as operating leases.

Finance lease

Where finance leases are granted to third parties, the present value of the minimum lease payments plus an estimate of the value of any unguaranteed residual value is recognised as a receivable and included in loan assets.

The difference between the gross receivable and the present value of the receivable is unearned interest income. Lease receipts are discounted using the interest rate implicit in the lease. Interest income is recognised over the term of the lease using the EIR method, which reflects a constant rate of return. Finance lease income is presented within interest and similar income in the income statement.

Operating lease

Where the Consolidated Entity is the lessor under an operating lease, the underlying asset is carried at cost and depreciated over its useful life in accordance with the rates specified in Note 37(xiii) *Property, plant and equipment and right-of-use assets*. Operating lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate. Assets leased out under operating leases are included in property, plant and equipment and right of-use assets.

When the Consolidated Entity is an intermediate lessor, it accounts for its interests in the head lease and the sub lease separately. The lease classification of the sublease is determined with reference to the ROU asset arising from the head lease.

(xxiii) Contributed equity

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

(xxiv) Fiduciary assets and Client money

The Consolidated Entity engages in trust, fund or other fiduciary activities as well as certain brokerage and other trading-related 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 Consolidated Entity, 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 Consolidated Entity's financial statements as they are not the assets of the Consolidated Entity. Fee income earned by the Consolidated Entity relating to its responsibilities from fiduciary and brokerage and other trading-related activities is included as part of fee and commission income.

(xxv) Cash and bank balances

Cash and bank balances includes currency on hand, demand deposits and short-term balances with banks. These balances are subsequently measured at amortised cost.

(xxvi) Cash and cash equivalents

Cash and cash equivalents comprise of cash and bank balances as well as certain liquid financial investments and receivables from related body corporates, and non-trading reverse repurchase agreements 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 Consolidated Entity's short term cash commitments. Cash and cash equivalents exclude margin money balances, trading assets and certain client-related balances which are segregated from the Consolidated Entity's own funds and thus restricted from use.

(xxvii) Investment property

Investment properties are initially recognised at cost and subsequently stated at fair value at each reporting date. Any change in fair value, in addition to any lease income generated, is recognised in other income as part of other operating income and charges.

(xxviii) Discontinued operations

A discontinued operation is a component of the entity's business that represents a separate major line of business or area of operation that has been disposed of or is classified as held for sale. The classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative period. The results of the discontinued operation are presented separately on the face of the income statements. Transactions between continuing operations and the discontinued operation are presented on a gross basis.

The assets and liabilities of the discontinued operations are derecognised on the date of disposal and a realised gain or loss is presented separately in the income statement.

Cash flows generated from the discontinued operation are separately presented in the statement of cash flows.

(xxix) Comparatives

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

(xxx) Rounding of amounts

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

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

(i) **AASB 17** ***Insurance Contracts***

AASB 17 Insurance Contracts, amends the accounting for insurance contracts and will replace AASB 4 *Insurance Contracts,* AASB 1023 *General Insurance Contracts and* AASB 1038 *Life Insurance Contracts*. The standard is mandatorily effective for the Consolidated Entity's annual reporting period beginning on 1 April 2023. The standard is not expected to have a material impact on the Consolidated Entity's financial statements.

(ii) 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 Consolidated Entity's financial statements.

Directors' declaration

In the Directors' opinion:

a. the financial statements and notes set out on pages 7 to 122 are in accordance with the *Corporations Act 2001* (Cth), including:

   i. complying with Australian Accounting Standards and regulations, and

   ii. giving a true and fair view of the Consolidated Entity's financial position as at 31 March 2023 and its performance, for the financial year ended on that date, and

b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

c. the Financial Report 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.

S. Dyson

Director

Sydney

29 June 2023

Independent auditor's report

To the members of Macquarie Financial Holdings Pty Limited

Our opinion

In our opinion:

The accompanying financial report of Macquarie Financial Holdings Pty Limited (the Company) and its controlled entities (together the Consolidated Entity) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Consolidated Entity'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 Consolidated Entity financial report comprises:

- the consolidated statement of financial position as at 31 March 2023
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated income statement for the year then ended
- the notes to the consolidated 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 Consolidated Entity 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.

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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.

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 Consolidated Entity 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 Consolidated Entity 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/ar3.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

Kristin Stubbins
Partner

Sydney
29 June 2023