MACQUARIE

Macquarie Securities South Africa Group
Consolidated Financial Statements
for the year ended 31 March 2014

General Information

Country of incorporation and domicile	South Africa
Company	Macquarie Securities South Africa Limited
Nature of business and principal activities	Macquarie Securities South Africa Limited and its consolidated trust, The MF Trust, (together, the Group) undertake Equity Derivative Trading, Origination and Equity Finance activities.
Directors	James Mason Graham Crawford Nicholas Luck James Burgess Duarte da Silva Duncan MacRobert Peter Gordon Timothy Leclercq
Registered office	Level 6, The District 41-45 Sir Lowry Road Woodstock Cape Town 7925
Business address	Level 6, The District 41-45 Sir Lowry Road Woodstock Cape Town 7925
Postal address	PO Box 50525 Waterfront Cape Town 8002
Holding company	Macquarie EMG Holdings Pty Ltd incorporated in Australia
Ultimate holding company	Macquarie Group Ltd incorporated in Australia
Bankers	Standard Bank of South Africa
Auditors	PricewaterhouseCoopers Inc.
Secretary	David Scheppening
Company registration number	2006/023546/06
Level of assurance	These consolidated financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.
Preparers	The consolidated financial statements were internally compiled by: Richard Bedford and David Scheppening Chartered Accountants (SA)

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The reports and statements set out below comprise the consolidated financial statements presented to the shareholder:

Level of assurance

These consolidated financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.

Preparers

Richard Bedford and David Scheppening
Chartered Accountants (SA)

Published

25 June 2014

Report of Corporate Governance

Macquarie Securities South Africa Limited ("MSSA", the "Company") is a derivatives and securities dealer based in Cape Town. The Company is indirectly owned by Macquarie Group Limited ("MGL"), a global financial services provider listed on the Australian Securities Exchange ("ASX"). As an ASX-listed Company, MGL is required to report on the extent to which it has followed the governance recommendations of the ASX Corporate Governance Council.

During the 2014 financial year, MSSA converted from private to a public company under the South African Companies Act, 2008 (the "Act") on account of the fact that it issues freely transferable listed debt securities under its ZAR10,000,000,000 Debt Instrument Programme registered with the Johannesburg Securities Exchange ("JSE").

The oversight and governance of MSSA is performed by the board of directors (the "Board") and its committees. The Board is comprised of four executive directors, Graham Crawford, James Mason, James Burgess and Nicholas Luck and four non-executive directors, Duarte da Silva, Duncan MacRobert, Peter Gordon and Tim Leclercq. Each of Duncan MacRobert, Peter Gordon and Tim Leclercq are independent directors of the Company.

The Board has also formed a Board Audit Committee ("BAC") and a Social and Ethics Committee ("S&EC"). All members of the BAC are independent non-executive directors of MSSA, who also sit on the Board of MSSA. The executive directors of MSSA and Duarte da Silva are the members of the S&EC.

As an indirect subsidiary of MGL, the Company operates within the Macquarie Group's risk management framework. Under this framework, the risks which the Company is exposed to are managed on a globally consolidated basis for MGL as a whole, including all subsidiaries, in all locations. To facilitate this, Risk Management Group ("RMG") authority is required for all material risk acceptance decisions. RMG is independent of all other areas of the Macquarie Group and reports directly to the Managing Director and the Board of MGL. This internal approach to risk ensures that risks in subsidiaries are subject to the same rigour and risk acceptance decisions.

In the context of the Company's ownership structure and its operation within MGL's risk management framework, the Board believe it is appropriate to look to MGL's Corporate Governance Statement and MGL's Environmental, Social and Governance Report as evidence of the Company's application of good governance within the Macquarie group. These reports are available on Macquarie's website.

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the consolidated financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the consolidated financial statements.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the group's cash flow forecast for the year to 31 March 2015 and, in the light of this review and the current financial position, they are satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

James Mason
Director

Graham Crawford
Director

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF MACQUARIE SECURITIES SOUTH AFRICA LIMITED

We have audited the consolidated and separate financial statements Macquarie Securities South Africa Limited set out on pages 8 to 53, which comprise the statements of financial position as at 31 March 2014, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Macquarie Securities South Africa Limited as at 31 March 2014, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

PricewaterhouseCoopers Inc., No 1 Waterhouse Place, Century City 7441, P O Box 2799, Cape Town 8000
T: +27 (21) 529 2000, F: +27 (21) 529 3300, www.pwc.co.za

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 31 March 2014, we have read the Directors' Report and the Report of Corporate Governance for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: NA Jacobs
Registered Auditor
Cape Town
25 June 2014

Directors' Report

The directors have pleasure in submitting their report on the consolidated financial statements of Macquarie Securities South Africa Group for the year ended 31 March 2014.

1. Review of financial results and activities

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the group are set out in these consolidated consolidated financial statements.

2. Share capital

Refer to note 15 of the consolidated consolidated financial statements for detail of the movement in authorised and issued share capital.

3. Directorate

The directors in office at the date of this report are as follows:

Directors		
James Mason		
Graham Crawford		
Nicholas Luck		
James Burgess		
Duarte da Silva	Non-executive	
Duncan MacRobert	Non-executive	Appointed 28 March 2014
Peter Gordon	Non-executive	Appointed 28 March 2014
Timothy Leclercq	Non-executive	Appointed 28 March 2014

4. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

5. Auditors

PricewaterhouseCoopers Inc. will continue in office as auditors for the company and its subsidiaries for 2014.

6. Secretary

The company secretary is Mr David Scheppening.

Postal address

PO Box 50525
Waterfront
Cape Town
8002

Business address

Level 6, The District
41-45 Sir Lowry Road
Woodstock
Cape Town
7925

Statement of Financial Position as at 31 March 2014

		Group		Company	
Figures in Rand	Note(s)	2014	2013	2014	2013
Assets					
Non-Current Assets					
Property, plant and equipment	3	89,983	677,200	89,983	677,200
Investments in associates	4	300	-	300	-
Deferred tax	7	28,696,630	27,416,362	28,696,630	27,416,362
Loans at amortised cost	8	1,002,481,701	968,835,488	1,002,481,701	968,835,488
		1,031,268,614	**996,929,050**	**1,031,268,614**	**996,929,050**
Current Assets					
Intercompany assets	5	106,662,166	65,291,581	106,662,166	65,291,581
Financial assets at fair value through profit or loss	6	4,759,468,765	3,810,055,558	4,759,468,765	3,810,055,558
Current tax receivable		2,416,589	2,416,589	2,416,589	2,416,589
Trade and other receivables	13	95,665,834	298,933,847	95,665,834	298,933,847
Trade portfolio assets	9	278,793,012	37,620,277	278,793,012	37,620,277
Derivative financial instruments	10	1,460,052,715	2,947,405,218	1,460,052,715	2,947,405,218
Collateral on securities borrowed	11	12,377,719,576	8,974,815,218	12,377,719,576	8,974,815,218
Cash and cash equivalents	14	540,444,788	370,467,248	540,444,474	370,467,178
		19,621,223,445	**16,507,005,536**	**19,621,223,131**	**16,507,005,466**
Total Assets		**20,652,492,059**	**17,503,934,586**	**20,652,491,745**	**17,503,934,516**
Equity and Liabilities					
Equity					
Share capital	15	327,100	327,100	327,100	327,100
Reserves		4,299,502	4,269,609	4,299,502	4,269,609
Retained income		74,489,949	52,611,179	74,489,635	52,611,109
		79,116,551	**57,207,888**	**79,116,237**	**57,207,818**
Liabilities					
Non-Current Liabilities					
Long-term debt	18	1,267,695,631	1,184,682,982	1,267,695,631	1,184,682,982
Current Liabilities					
Loans from group companies	12	4,117,273,872	2,298,290,488	4,117,273,872	2,298,290,488
Derivative financial instruments	10	1,575,456,526	2,779,014,171	1,575,456,526	2,779,014,171
Financial liabilities at fair value through profit or loss	17	4,129,164,807	4,500,360,287	4,129,164,807	4,500,360,287
Trade and other payables	21	247,944,306	6,450,158,456	247,944,306	6,450,158,456
Collateral received on securities lent	19	8,882,836,921	2,940,000	8,882,836,921	2,940,000
Trade portfolio liabilities	20	353,003,445	231,280,314	353,003,445	231,280,314
		19,305,679,877	**16,262,043,716**	**19,305,679,877**	**16,262,043,716**
Total Liabilities		**20,573,375,508**	**17,446,726,698**	**20,573,375,508**	**17,446,726,698**
Total Equity and Liabilities		**20,652,492,059**	**17,503,934,586**	**20,652,491,745**	**17,503,934,516**

Statement of Comprehensive Income

		Group		Company	
Figures in Rand	Note(s)	2014	2013	2014	2013
Interest and similar income	22	703,947,369	332,785,447	703,947,354	332,785,430
Interest expense and similar charges	23	(567,039,102)	(232,190,277)	(567,039,104)	(232,190,223)
Net interest income		**136,908,267**	**100,595,170**	**136,908,250**	**100,595,207**
Net trading loss		(526,908)	(87,717,817)	(527,135)	(87,717,719)
Operating expenses		(115,782,857)	(89,085,930)	(115,782,857)	(89,085,930)
Operating profit (loss)	24	**20,598,502**	**(76,208,577)**	**20,598,258**	**(76,208,442)**
Profit (loss) before taxation		**20,598,502**	**(76,208,577)**	**20,598,258**	**(76,208,442)**
Taxation	25	1,280,268	12,858,103	1,280,268	12,858,103
Profit (loss) for the year		**21,878,770**	**(63,350,474)**	**21,878,526**	**(63,350,339)**
Other comprehensive income		-	-	-	-
Total comprehensive income (loss) for the year		**21,878,770**	**(63,350,474)**	**21,878,526**	**(63,350,339)**
Total comprehensive income (loss) attributable to:					
Owners of the parent		21,878,770	(63,350,474)	21,878,526	(63,350,339)

Statement of Changes in Equity

Figures in Rand	Share capital	Other NDR	Retained income	Total equity
Group				
Balance at 01 April 2012	**327,100**	**4,133,778**	**115,961,653**	**120,422,531**
Total comprehensive Loss for the year	**-**	**-**	**(63,350,474)**	**(63,350,474)**
Employee share option scheme	-	135,831	-	135,831
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**135,831**	**-**	**135,831**
Balance at 01 April 2013	**327,100**	**4,269,609**	**52,611,179**	**57,207,888**
Total comprehensive income for the year	**-**	**-**	**21,878,770**	**21,878,770**
Employees share option scheme	-	29,893	-	29,893
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**29,893**	**-**	**29,893**
Balance at 31 March 2014	**327,100**	**4,299,502**	**74,489,949**	**79,116,551**
Note(s)	15			
Company				
Balance at 01 April 2012	**327,100**	**4,133,778**	**115,961,448**	**120,422,326**
Total comprehensive Loss for the year	**-**	**-**	**(63,350,339)**	**(63,350,339)**
Employee share option scheme	-	135,831	-	135,831
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**135,831**	**-**	**135,831**
Balance at 01 April 2013	**327,100**	**4,269,609**	**52,611,109**	**57,207,818**
Total comprehensive income for the year	**-**	**-**	**21,878,526**	**21,878,526**
Employees share option scheme	-	29,893	-	29,893
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**29,893**	**-**	**29,893**
Balance at 31 March 2014	**327,100**	**4,299,502**	**74,489,635**	**79,116,237**
Note(s)	15			

Statement of Cash Flows

		Group		Company	
Figures in Rand	Note(s)	2014	2013	2014	2013
Cash flows from operating activities					
Cash generated from (utilised by) operations	27	1,050,375,070	(310,406,807)	1,050,374,843	(310,406,709)
Interest income		661,294,308	314,210,123	661,294,293	314,210,106
Finance costs		(520,311,838)	(186,583,624)	(520,311,840)	(186,583,570)
Tax received	28	-	4,005,863	-	4,005,863
Net dividends manufactured on trading securities		(1,076,853,943)	(257,956,261)	(1,076,853,943)	(257,956,261)
Net cash generated from (utilised by) operating activities		**114,503,597**	**(436,730,706)**	**114,503,353**	**(436,730,571)**
Cash flows from investing activities					
Purchase of property, plant and equipment	3	(73,300)	(22,901)	(73,300)	(22,901)
Sale of property, plant and equipment	3	56,814	30,861	56,814	30,861
Investment in associate		(300)	-	(300)	-
Net cash (utilised by) generated from investing activities		**(16,786)**	**7,960**	**(16,786)**	**7,960**
Cash flows from financing activities					
Proceeds from long-term debt		-	660,171,054	-	660,171,054
Proceeds on preference shares issued		75,000,000	125,000,000	75,000,000	125,000,000
Preference dividends paid		(19,509,271)	(16,059,321)	(19,509,271)	(16,059,321)
Net cash from financing activities		**55,490,729**	**769,111,733**	**55,490,729**	**769,111,733**
Total cash movement for the year		**169,977,540**	**332,388,987**	**169,977,296**	**332,389,122**
Cash at the beginning of the year		370,467,248	38,078,261	370,467,178	38,078,056
Total cash at end of the year	14	**540,444,788**	**370,467,248**	**540,444,474**	**370,467,178**

Accounting Policies

1. Presentation of Consolidated Financial Statements

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

1.1 Consolidation

Basis of consolidation

The consolidated financial statements incorporate the consolidated financial statements of the group and all investees which are controlled by the group.

The group has control of an investee when it has power over the investee; it is exposed to or has rights to variable returns from involvement with the investee; and it has the ability to use its power over the investee to affect the amount of the investor's returns.

The results of subsidiaries are included in the consolidated financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the consolidated financial statements of subsidiaries to bring their accounting policies in line with those of the group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the group's interest therein, and are recognised within equity. Post acquisition income or losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

Transactions which result in changes in ownership levels, where the group has control of the subsidiary both before and after the transaction are regarded as equity transaction and are recognised directly in the statement of changes in equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the parent.

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the consolidated financial statements, management may be required to make estimates and assumptions that affect the amounts represented in the consolidated financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the consolidated financial statements. Refer to the following notes where additional disclosure is made: Deferred Tax - Note 7; Derivative financial instruments - Note 10; Employee Share Option Scheme - Note 16; Financial liabilities at fair value - Note 17; Trade portfolio liabilities - Note 20; Risk Management - Note 32; Valuation of financial instruments - Note 34 and Note 1.4 below - Fair Value Determination.

1.3 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Accounting Policies

1.3 Property, plant and equipment (continued)

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Equipment	3 to 5 years
Furniture and fixtures	5 years
Leasehold improvements	5 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.4 Financial instruments

Classification

The group classifies financial assets and financial liabilities into the following categories:
- Financial assets at fair value through profit or loss - held for trading
- Financial assets at fair value through profit or loss - designated
- Held-to-maturity investment
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities at fair value through profit or loss - held for trading
- Financial liabilities at fair value through profit or loss - designated
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

A financial asset classified as available-for-sale that would have met the definition of loans and receivables may be reclassified to loans and receivables if the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

Accounting Policies

1.4 Financial instruments (continued)

Initial recognition and measurement

Financial instruments are recognised initially when the group becomes a party to the contractual provisions of the instruments.

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transactions are recorded on trade date.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

Net gains or losses on the financial instruments at fair value through profit or loss include dividends but not interest.

Dividend income is recognised in profit or loss as part of net trading gain/loss when the group's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in profit or loss. Dividends received on available-for-sale equity instruments are recognised in profit or loss when the group's right to receive payment is established.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Accounting Policies

1.4 Financial instruments (continued)

Impairment of financial assets

At each reporting date the group assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the group, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity as a reclassification adjustment to other comprehensive income and recognised in profit or loss.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Financial instruments at fair value through profit or loss

This category has two sub-categories: financial instruments held for trading, and those designated at fair value through profit or loss at inception.

A financial instrument is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated as hedging instruments.

Financial instruments are designated at fair value through profit or loss when:

• It is part of a group of financial assets managed and evaluated on a fair value basis;

• Doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortised cost such as loans and advances to customers or banks and debt securities in issue;

• Financial instruments, such as debt securities held, containing one or more embedded derivatives which significantly modify the cash flows, are designated at fair value through profit and loss.

Financial instruments designated as available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Accounting Policies

1.4 Financial instruments (continued)

Loans to (from) group companies

These include loans to and from holding companies, fellow subsidiaries and subsidiaries and are recognised initially at fair value plus direct transaction costs.

Loans to group companies are classified as loans and receivables. All loans to or from group companies are disclosed as current assets or liabilities as they are repayable on demand.

Loans from group companies are classified as financial liabilities measured at amortised cost.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those that the entity intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; (b) those that the entity upon initial recognition designates as available for sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Trade and other receivables

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value. For the purposes of the cash flow statement, cash and cash equivalents include cash on hand, deposits on call with banks and other highly liquid investments which are subject to insignificant risk of change in value.

Offsetting financial instruments

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

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of futures, forwards, swap and options, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss.

Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise.

Derivatives are classified as financial assets at fair value through profit or loss - held for trading.

Accounting Policies

1.4 Financial instruments (continued)

Held to maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be reclassified as available for sale.

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the group has the positive intention and ability to hold to maturity are classified as held to maturity.

1.5 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

An entity shall offset current tax assets and current tax liabilities if the entity has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of goodwill; or the initial recognition of an asset or liability in a transaction which is not a business combination; and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

An entity shall offset deferred tax assets and deferred tax liabilities if the entity has a legally enforceable right to set off the recognised amounts; if they relate to income tax levied by the same taxation authority on the same taxable entity.

Accounting Policies

1.5 Tax (continued)

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income or directly in equity, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.6 Leases

The leases entered into by the Group are primarily operating leases. The total payments made under operating leases are charged to operating expenses in the statement of comprehensive income on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

1.7 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within ‘interest income’ and ‘interest expense’ in the statement of comprehensive income using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and percentage points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

1.8 Dividend income

Dividends are recognised in the statement of comprehensive income in net trading gains when the entity’s right to receive payment is established.

1.9 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity.

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company’s shareholders.

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

Accounting Policies

1.10 Performance based remuneration

Share based payments

The ultimate parent entity, MGL, operates share-based compensation plans, which include options granted to employees and shares (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 16. The Company recognises an expense for its shares and options granted to its employees by MGL. The shares and options are measured at the grant dates based on their fair value and using the number of equity instruments expected to vest. This amount is recognised as an expense over the respective vesting periods.

The fair value of each option granted in prior years was estimated on the date of grant using standard option pricing techniques based on the Black-Scholes theory. No grants have been made in the last four financial years.

Restricted Share Units (RSUs) have been granted in the current year in respect of 2013. The fair value of each of these grants is estimated using MGL's share price on the date of grant.

While RSUs in respect of the current year's performance will be granted in the following financial year, the Company and MGL begins recognising an expense (based on an initial estimate) from 1 April of the current financial year related to these future grants. The expense is estimated using MGL's share price as at 31 March 2014 and the number of equity instruments expected to vest. In the following financial year, the Consolidated Company and MGL will adjust the accumulated expense recognised for the final determination of fair value for each RSU when granted, and will use this valuation for recognising the expense over the remaining vesting period. Where options and shares are issued by MGL to employees of the Company, and MGL is not subsequently reimbursed by those subsidiaries, the Company recognises the equity provided as a capital contribution from MGL. Where MGL is reimbursed, the Company recognises any amount paid in advance (of the share-based payment to be recognised as an expense over the future vesting period) as a prepaid asset.

The Company annually revises the estimates of the number of shares (including those delivered through MEREP) and options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity in MGL.

Profit share remuneration

The Company recognises a liability and an expense for profit share remuneration to be paid in cash.

1.11 Provisions and contingencies

Provisions are recognised when:

- the group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value using the pre-tax rate of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and

Accounting Policies

1.11 Provisions and contingencies (continued)

- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

1.12 Cash collateral on securities borrowed/lent and repurchase/reverse repurchase agreements

As part of its trading activities, the Group lends and borrows securities on a collateralised basis. The securities subject to the borrowing/lending are not derecognised from the balance sheets of the relevant parties, as the risks and rewards of ownership remain with the initial holder. Where cash is provided as collateral, the cash paid to third parties on securities borrowed is recorded as a receivable, while cash received from third parties on securities lent is recorded as a borrowing.

Repurchase transactions, where the Group sells securities under an agreement to repurchase, and reverse repurchase transactions, where the Group purchases securities under an agreement to resell, are also conducted on a collateralised basis. The securities subject to the repurchase/reverse repurchase agreements are not derecognised from the balance sheets of the relevant parties, as the risks and rewards of ownership remain with the initial holder. Where cash is provided as collateral, the cash paid to third parties on the reverse repurchase agreement is recorded as a receivable, while cash received from third parties on the repurchase agreement is recorded as a borrowing.

Fees and interest relating to stock borrowing/lending and repurchase/reverse repurchase agreements are recognised in the statement of comprehensive income, using the effective interest rate method, over the expected life of the agreements. The Group continually reviews the fair value of the securities on which the above transactions are based and, where appropriate, requests or provides additional collateral to support the transactions, in accordance with the underlying agreements.

Notes to the Consolidated Financial Statements

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations. Adoption of the below standards and interpretations have had the following impact on measurement and disclosure.

IFRS 10 Consolidated Financial Statements

Standard replaces the consolidation sections of IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. The standard sets out a new definition of control, which exists only when an entity is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to effect those returns through power over the investee.

The effective date of the standard is for years beginning on or after 01 January 2013.

The group has adopted the standard for the first time in the 2014 consolidated financial statements.

The impact of the standard is not material.

IAS 27 Separate Financial Statements

Consequential amendment as a result of IFRS 10. The amended Standard now only deals with separate financial statements.

The effective date of the amendment is for years beginning on or after 01 January 2013.

The group has adopted the amendment for the first time in the 2014 consolidated financial statements.

The impact of the amendment is not material.

Notes to the Consolidated Financial Statements

2. New Standards and Interpretations (continued)

IFRS 12 Disclosure of Interests in Other Entities

The standard sets out disclosure requirements for investments in Subsidiaries, associates, joint ventures and unconsolidated structured entities. The disclosures are aimed to provide information about the significance and exposure to risks of such interests. The most significant impact is the disclosure requirement for unconsolidated structured entities or off balance sheet vehicles.

The effective date of the standard is for years beginning on or after 01 January 2013.

The group has adopted the standard for the first time in the 2014 consolidated financial statements.

The impact of the standard is restricted to additional disclosure about unconsolidated structured entities as set out in note 30 and 34.

IFRS 13 Fair Value Measurement

New standard setting out guidance on the measurement and disclosure of items measured at fair value or required to be disclosed at fair value in terms of other IFRS's.

The effective date of the standard is for years beginning on or after 01 January 2013.

The group has adopted the standard for the first time in the 2014 consolidated financial statements.

The impact of the standard has been fully incorporated in the financial statements. Refer note 34..

IAS 1 Presentation of Financial Statements

The amendment now requires items of other comprehensive income to be presented as:
- Those which will be reclassified to profit or loss
- Those which will not be reclassified to profit or loss.

The related tax disclosures are also required to follow the presentation allocation.

In addition, the amendment changed the name of the statement of comprehensive income to the statement of profit or loss and other comprehensive income.

The effective date of the amendment is for years beginning on or after 01 July 2012.

The group has adopted the amendment for the first time in the 2014 consolidated financial statements.

The impact of the amendment is not material.

IAS 19 Employee Benefits Revised
- Require recognition of changes in the net defined benefit liability (asset) including immediate recognition of defined benefit cost, disaggregation of defined benefit cost into components, recognition of remeasurements in other comprehensive income, plan amendments, curtailments and settlements
- Introduce enhanced disclosures about defined benefit plans
- Modify accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affect the recognition and measurement of termination benefits
- Clarification of miscellaneous issues, including the classification of employee benefits, current estimates of mortality rates, tax and administration costs and risk-sharing and conditional indexation features

The effective date of the amendment is for years beginning on or after 01 January 2013.

The group has adopted the amendment for the first time in the 2014 consolidated financial statements.

The impact of the amendment is not material.

Notes to the Consolidated Financial Statements

2. New Standards and Interpretations (continued)

Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)

Amendment requires additional disclosures for financial assets and liabilities which are offset and for financial instruments subject to master netting arrangements.

The effective date of the amendment is for years beginning on or after 01 January 2013.

The group has adopted the amendment for the first time in the 2014 consolidated financial statements.

The impact of the amendment is not material.

IFRS 1 – Annual Improvements

The amendment allows an entity to be a first time adopter of IFRS more than once, if its previous financial statements did not contain an explicit unreserved statement of compliance with IFRS. In addition, borrowing costs capitalised in accordance with previous GAAP before the date of transition to IFRS may be applied unadjusted at the transition date.

The effective date of the amendment is for years beginning on or after 01 January 2013.

The group has adopted the amendment for the first time in the 2014 consolidated financial statements.

The impact of the amendment is not material.

IAS 1 – Annual Improvements

Clarification is provided on the requirements for comparative information. Specifically, if a retrospective restatement is made, a retrospective change in accounting policy or a reclassification, the statement of financial position at the beginning of the previous period is only required if the impact on the beginning of the previous period is material. Related notes are not required, other than disclosure of specified information.

The effective date of the amendment is for years beginning on or after 01 January 2013.

The group has adopted the amendment for the first time in the 2014 consolidated financial statements.

The impact of the amendment is not material.

IAS 32 – Annual Improvements

Tax effects of distributions made to holders of equity instruments. Income tax relating to distributions made to holders of equity instruments and tax effects of transaction costs of equity transactions must be accounted for in accordance with IAS 12 Income Taxes.

The effective date of the amendment is for years beginning on or after 01 January 2013.

The group has adopted the amendment for the first time in the 2014 consolidated financial statements.

The impact of the amendment is not material.

IAS 34 – Annual Improvements

Clarification on reporting of segment assets and segment liabilities in interim financial reports. Such reporting is only required when it is regularly reported to the chief operating decision maker, and when there has been a material change from the previous annual financial statements.

The effective date of the amendment is for years beginning on or after 01 January 2013.

The group has adopted the amendment for the first time in the 2014 consolidated financial statements.

The impact of the amendment is not material.

2. New Standards and Interpretations (continued)

Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance.

Transitional guidance for the application of IFRS 10, IFRS 11 and IFRS 12. The amendment limits the requirement to provide adjusted comparative information to only the preceding comparative period.

The effective date of the amendment is for years beginning on or after 01 January 2013.

The group has adopted the amendment for the first time in the 2014 consolidated financial statements.

The impact of the amendment is not material.

2.2 Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 01 April 2014 or later periods:

IFRS 9 Financial Instruments

This new standard is the first phase of a three phase project to replace IAS 39 Financial Instruments: Recognition and Measurement. To date, the standard includes chapters for classification, measurement and derecognition of financial assets and liabilities. The following are main changes from IAS 39:

- Financial assets will be categorised as those subsequently measured at fair value or at amortised cost.
- Financial assets at amortised cost are those financial assets where the business model for managing the assets is to hold the assets to collect contractual cash flows (where the contractual cash flows represent payments of principal and interest only). All financial assets at fair value through profit or loss are to be subsequently measured at fair value.
- Under certain circumstances, financial assets may be designated as at fair value.
- For hybrid contracts, where the host contract is an asset within the scope of IFRS 9, then the whole instrument is classified in accordance with IFRS 9, without separation of the embedded derivative. In other circumstances, the provisions of IAS 39 still apply.
- Voluntary reclassification of financial assets is prohibited. Financial assets shall be reclassified if the entity changes its business model for the management of financial assets. In such circumstances, reclassification takes place prospectively from the beginning of the first reporting period after the date of change of the business model.
- Financial liabilities shall not be reclassified.
- Investments in equity instruments may be measured at fair value through other comprehensive income. When such an election is made, it may not subsequently be revoked, and gains or losses accumulated in equity are not recycled to profit or loss on derecognition of the investment. The election may be made per individual investment.
- IFRS 9 does not allow for investments in equity instruments to be measured at cost.
- The classification categories for financial liabilities remains unchanged. However, where a financial liability is designated as at fair value through profit or loss, the change in fair value attributable to changes in the liabilities credit risk shall be presented in other comprehensive income. This excludes situations where such presentation will create or enlarge an accounting mismatch, in which case, the full fair value adjustment shall be recognised in profit or loss.

The effective date of the standard is for years beginning on or after 01 January 2015.

The group expects to adopt the standard for the first time in the 2016 consolidated financial statements.

The impact of this standard is currently being assessed.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

Clarification of certain aspects concerning the requirements for offsetting financial assets and financial liabilities.

The effective date of the amendment is for years beginning on or after 01 January 2014.

The group expects to adopt the amendment for the first time in the 2015 consolidated financial statements.

It is unlikely that the amendment will have a material impact on the company's consolidated financial statements.

2. New Standards and Interpretations (continued)

2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the group’s accounting periods beginning on or after 01 April 2014 or later periods but are not relevant to its operations:

IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets

The amendment brings the disclosures for impaired assets whose recoverable amount is fair value less costs to sell in line with the disclosure requirements of IFRS 13 Fair Value Measurements.

The effective date of the amendment is for years beginning on or after 01 January 2014.

The group does not envisage the adoption of the amendment until such time as it becomes applicable to the group's operations.

It is unlikely that the amendment will have a material impact on the company's consolidated financial statements.

IFRIC 21 Levies

The interpretation provides guidance on accounting for levies payable to government. It specifies that the obligating event giving rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation. A constructive obligation for levies that will be triggered by operating in future is not raised by virtue of the entity being economically compelled to operate in future or for being a going concern. Furthermore, if the obligating event occurs over a period of time, then the liability is recognised progressively. An asset is recognised if an entity has prepaid a levy before the obligating event. This accounting also applies to interim reporting.

The effective date of the interpretation is for years beginning on or after 01 January 2014.

The group does not envisage the adoption of the interpretation until such time as it becomes applicable to the group's operations.

It is unlikely that the interpretation will have a material impact on the company's consolidated financial statements.

IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting

The amendment provides guidance on whether an entity is required to discontinue hedging when the derivatives which are designated hedging instruments are novated to a central counterparty.

The effective date of the amendment is for years beginning on or after 01 January 2014.

The group does not envisage the adoption of the amendment until such time as it becomes applicable to the group's operations.

It is unlikely that the amendment will have a material impact on the company's consolidated financial statements.

IFRS 10, IFRS 12 and IAS 27 – Investment Entities

The amendments define an investment entity and introduce an exception to consolidating particular subsidiaries for investment entities. These amendments require an investment entity to measure those subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments in its consolidated and separate consolidated financial statements. The amendments also introduce new disclosure requirements for investment entities in IFRS 12 and IAS 27.

The effective date of the amendments is for years beginning on or after 01 January 2014.

The group does not envisage the adoption of the amendments until such time as it becomes applicable to the group's operations.

It is unlikely that the amendment will have a material impact on the company's consolidated financial statements.

Notes to the Consolidated Financial Statements

3. Property, plant and equipment

Group	2014			2013		
	Cost	**Accumulated depreciation**	**Carrying value**	**Cost**	**Accumulated depreciation**	**Carrying value**
Furniture and fixtures	5,468,645	(5,405,569)	63,076	5,692,517	(5,293,983)	398,534
Leasehold improvements	15,422,419	(15,422,419)	-	15,422,419	(15,167,258)	255,161
Equipment	1,968,893	(1,941,986)	26,907	9,722,921	(9,699,416)	23,505
Total	**22,859,957**	**(22,769,974)**	**89,983**	**30,837,857**	**(30,160,657)**	**677,200**

Company	2014			2013		
	Cost	**Accumulated depreciation**	**Carrying value**	**Cost**	**Accumulated depreciation**	**Carrying value**
Furniture and fixtures	5,468,645	(5,405,569)	63,076	5,692,517	(5,293,983)	398,534
Leasehold improvements	15,422,419	(15,422,419)	-	15,422,419	(15,167,258)	255,161
Equipment	1,968,893	(1,941,986)	26,907	9,722,921	(9,699,416)	23,505
Total	**22,859,957**	**(22,769,974)**	**89,983**	**30,837,857**	**(30,160,657)**	**677,200**

Reconciliation of property, plant and equipment - Group and company - 2014

	Opening balance	**Additions**	**Disposals**	**Depreciation**	**Total**
Furniture and fixtures	398,534	25,066	(36,572)	(323,952)	63,076
Leasehold improvements	255,161	-	-	(255,161)	-
Equipment	23,505	48,234	(20,242)	(24,590)	26,907
	677,200	**73,300**	**(56,814)**	**(603,703)**	**89,983**

Reconciliation of property, plant and equipment - Group and company - 2013

	Opening balance	**Additions**	**Disposals**	**Depreciation**	**Total**
Furniture and fixtures	1,525,716	-	-	(1,127,182)	398,534
Leasehold improvements	3,317,088	-	-	(3,061,927)	255,161
Equipment	321,168	22,901	(30,861)	(289,703)	23,505
	5,163,972	**22,901**	**(30,861)**	**(4,478,812)**	**677,200**

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the company.

4. Investments in associates

The following table lists all of the associates in the group:

Group and company

Name of company	**% ownership interest 2014**	**% ownership interest 2013**	**Carrying amount 2014**	**Carrying amount 2013**
PSIC Finance 3 (Pty) Ltd	30.00 %	- %	300	-

Notes to the Consolidated Financial Statements

	Group		Company	
Figures in Rand	2014	2013	2014	2013

5. Intercompany assets

Due from related parties	106,662,166	65,291,581	106,662,166	65,291,581

Loans are unsecured, bear interest at commercial rates and have no defined repayment terms but are payable on demand. The carrying amount approximates the fair value.

Refer note 29 for related party disclosure.

6. Financial assets at fair value through profit or loss

Money Market instruments and funds	1,469,101,499	1,384,630,170	1,469,101,499	1,384,630,170
Term deposits managed on a fair value basis	2,628,221,333	1,864,072,311	2,628,221,333	1,864,072,311
Negotiable certificates of deposit	557,718,995	561,353,077	557,718,995	561,353,077
Unlisted investments	104,426,938	-	104,426,938	-
	4,759,468,765	**3,810,055,558**	**4,759,468,765**	**3,810,055,558**
Current assets				
At fair value through profit or loss	4,759,468,765	3,810,055,558	4,759,468,765	3,810,055,558

Fair value information

All financial assets at fair value through profit or loss were initially designated as such.

The maximum exposure to credit risk before any credit enhancements at the reporting date is the fair value of each class of loan mentioned above.

Notes to the Consolidated Financial Statements

	Group		Company	
Figures in Rand	2014	2013	2014	2013

7. Deferred tax

Deferred tax asset

Temporary differences on tangible fixed assets	33,955	288,804	33,955	288,804
Temporary differences on closing stock	-	35,062	-	35,062
Temporary differences on bonus provision	3,184,619	1,881,550	3,184,619	1,881,550
Temporary differences on unrealised foreign exchange losses	2,272,589	4,887,171	2,272,589	4,887,171
Temporary differences - other	1,814,346	1,410,237	1,814,346	1,410,237
Temporary differences on tax losses available for set off against future taxable income	21,391,121	18,913,538	21,391,121	18,913,538
	28,696,630	**27,416,362**	**28,696,630**	**27,416,362**

Reconciliation of deferred tax asset / (liability)

At beginning of year	27,416,362	14,558,259	27,416,362	14,558,259
Increase in tax losses available for set off against future taxable income	2,477,583	13,192,732	2,477,583	13,192,732
Originating temporary difference on tangible fixed assets	(254,849)	49,960	(254,849)	49,960
Originating temporary difference on closing stock	(35,062)	131,462	(35,062)	131,462
Originating temporary difference on bonus provision	1,303,069	(2,164,278)	1,303,069	(2,164,278)
Originating temporary differences - other	404,109	(583,198)	404,109	(583,198)
Originating temporary difference on unrealised foreign exchange losses	(2,614,582)	2,231,425	(2,614,582)	2,231,425
	28,696,630	**27,416,362**	**28,696,630**	**27,416,362**

Recognition of deferred tax asset

Management is confident that there will be sufficient taxable income from new products and trading strategies to utilise any tax assets brought forward to future years.

	Group		Company	
Figures in Rand	2014	2013	2014	2013

8. Loans at amortised cost

Loans	329,386,041	296,039,048	329,386,041	296,039,048
Term deposits	673,095,660	672,796,440	673,095,660	672,796,440
	1,002,481,701	**968,835,488**	**1,002,481,701**	**968,835,488**

The loans are secured, earn interest at SA prime lending rate + 1.6% and mature within 2 to 4 years. The fair value of loans held at amortised cost is R406,805,766 (2013: R381,868,693) calculated using a discounted cash flow model.

The term deposits mature between 2 and 4 years and bear interest at an average rate of 7.32%. The fair value of term deposits held at amortised cost is R688,426,106 (2013: R706,311,848) calculated using a discounted cash flow model.

9. Trade portfolio assets

Trade portfolio assets comprise listed equity securities which are held for trading and are classified as financial assets at fair value through profit or loss.

10. Derivative financial instruments

Derivative instruments entered into include futures, forwards, swaps and options predominantly in equity markets. These derivative instruments are used both for trading purposes and risk management of existing financial assets and liabilities.

All Derivatives, including those used for balance sheet hedging purposes, are recognised on the balance sheet and are disclosed as an asset where they have a positive fair value at balance date or as a liability where the fair value at balance date is negative.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured to their fair value. Fair values are obtained from quoted market prices in active markets and valuation techniques, including discounted cash flows and option pricing models as appropriate. Movements in the carrying amounts of derivatives are recognised through profit or loss.

Group and Company

2014 - Derivatives held for trading	**Assets**	**Liabilities**
OTC derivatives	225,774,774	(45,621,101)
Exchange traded equity futures	1,234,277,941	(1,529,835,425)
	1,460,052,715	**(1,575,456,526)**

2013 - Derivatives held for trading	**Assets**	**Liabilities**
OTC derivatives	154,637,060	(5,842,428)
Exchange traded equity futures	2,792,768,158	(2,773,171,743)
	2,947,405,218	**(2,779,014,171)**

11. Collateral on securities borrowed

Assets are pledged as collateral under repurchase agreements with other banks and for security deposits relating to local futures, options and stock exchange memberships. Collateral is placed on call, earns interest at commercial collateral rates and relates to the borrowing of equity securities.

The related liability below is included in various other liabilities on the statement of financial position.

Group and Company

	2014 - Asset	**2014 - Related Liability**	**2013 - Asset**	**2013 - Related Liability**
Trading assets	12,377,719,576	(10,918,884,567)	8,974,815,218	(9,399,144,246)

Notes to the Consolidated Financial Statements

	Group		Company	
Figures in Rand	2014	2013	2014	2013

12. Loans from group companies

At beginning of the year	2,298,290,488	113,615,533	2,298,290,488	113,615,533
Advances	1,818,984,424	2,184,674,955	1,818,984,424	2,184,674,955
	4,117,273,872	**2,298,290,488**	**4,117,273,872**	**2,298,290,488**

All related party loans are unsecured and bear interest at commercial interest rates. R3,200,000,000 is repayable within 30 days. R800,000,000 is repayable in 3 years while the balance has no defined repayment terms and is repayable on demand. The carrying amount approximates the fair value. Refer note 29 for related party disclosure.

13. Trade and other receivables

Trade receivables	13,549,213	55,247,942	13,549,213	55,247,942
Deposits	-	4,300	-	4,300
Other receivables	1,986,048	216,418	1,986,048	216,418
Unsettled equity trades with JSE	80,130,573	243,465,187	80,130,573	243,465,187
	95,665,834	**298,933,847**	**95,665,834**	**298,933,847**

Fair value of trade and other receivables

The carrying amount of trade and other receivables approximates the fair value.

Trade and other receivables impaired

As of 31 March 2014, trade and other receivables of R 81,115 (2013: R 74,096) were impaired and provided for.

The amount of the provision was R 81,115 as of 31 March 2014 (2013: R 74,096).

The ageing of these receivables is as follows:

3 to 6 months	-	27,446	-	27,443
6 to 12 months	81,115	46,653	81,115	46,653

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances and other cash equivalents	540,444,788	370,467,248	540,444,474	370,467,178

Notes to the Consolidated Financial Statements

	Group		Company	
Figures in Rand	2014	2013	2014	2013

15. Share capital

Number of shares authorised				
328,000 Ordinary shares of R1each	328,000	328,000	328,000	328,000
50,000 no par value class "A" redeemable cumulative preference shares	50,000	50,000	50,000	50,000
100 no par value class "B" redeemable cumulative preference shares	100	100	100	100
12,557 no par value class "C" redeemable cumulative preference shares	12,557	12,500	12,557	12,500
75 no par value class "D" redeemable cumulative preference shares	75	-	75	-
100,000 no par value unclassified shares under s36(1)(c) of the Act	100,000	100,000	100,000	100,000
337,368 no par value unclassified shares under s36(1)(d) of the Act	337,368	337,500	337,368	337,500
	828,100	**828,100**	**828,100**	**828,100**

Number of shares issued:				
327,100 Ordinary shares of R1 each	327,100	327,100	327,100	327,100
125 no par value class "A" redeemable cumulative preference shares	125	125	125	125
96 no par value class "B" redeemable cumulative preference shares	96	96	96	96
12,557 no par value class "C" redeemable cumulative preference shares	12,557	12,500	12,557	12,500
75 no par value class "D" redeemable cumulative preference shares	75	-	75	-
	339,953	**339,821**	**339,953**	**339,821**

Issued - Rand				
Ordinary	327,100	327,100	327,100	327,100

All issued shares are fully paid.

Refer note 18 for preference shares issued.

16. Employee share option scheme

Employee equity participation

Macquarie Group Employee Retained Equity Plan

In December 2009, the Macquarie Group Ltd (MGL) shareholders approved the implementation of the Macquarie Group Employee Retained Equity Plan (MEREP) in conjunction with remuneration arrangements.These arrangements included a decrease in the portion of staff profit share paid in cash and an increase in the portion delivered as equity, an increase in the proportion of deferred remuneration and cessation of new option grants under the Macquarie Group Employee Share Option Plan (MGESOP).

Award Types under the MEREP

Restricted Share Units (RSUs)

A RSU is a beneficial interest in a Macquarie 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 in the share. The participant also has the right to request the release of the share from the Trust, subject to the vesting and forfeiture provisions of the MEREP.

The following is a summary of options which have been granted pursuant to the MEREP.

	2014 - No. of RSU Awards	2013 - No. of RSU Awards
RSUs in issue at the beginning of the financial year	42,715	11,981
Consolidation of one ordinary share into 0.9438 ordinary shares	(2,315)	-
Granted during year	3,277	35,593
Vested RSUs withdrawn from MEREP during the year	-	(739)
Forfeited during the year	(3,673)	(4,120)
RSUs in issue at the end of the year	**40,004**	**42,715**

The weighted average fair value of the RSU Awards granted during the financial year was AU$46.01 (2013: AU$26.63).

The awards are measured at their grant dates based on their fair value and the number expected to vest. This amount is recognised as an expense evenly over the respective vesting periods and the equity provided is treated as a capital contribution.

For the year ended 31 March 2014, compensation expense relating to the MEREP totaled AU$0.37m (2013: AU$0.31m).

Participation in the MEREP is currently provided to the following Eligible Employees:
– staff other than Executive Directors with retained profit share (Retained Profit Share Awards) and staff who are promoted to Associate Director, Division Director or Executive Director, who receive a fixed allocation of MEREP awards (Promotion Awards);
– new Macquarie Group staff who commence at Associate Director, Division Director or Executive Director level are awarded a fixed number of MEREP awards depending on level (New Hire Awards).

Vesting periods are as follows:

– Retained profit share awards and Promotion awards for employees below Executive Directors vesting 1/3rd on or after each 1 July, in the 2nd, 3rd and 4th year following the year of grant (1)

- New hire awards for all Director-level staff vesting 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) Vesting will occur on the first day of a staff trading window following 1 July of the specified year.

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

Notes to the Consolidated Financial Statements

For Retained Profit Share Awards representing 2013 retention, the allocation price was the weighted average price of the Shares acquired for the 2013 Purchase Period, which was 14 May 2013 to 25 June 2013 inclusive (excluding the period from 23 May to 6 June 2013). That price was calculated to be AU$43.56 (2012 retention: AU$26.97).

Option Plan

MGL has suspended new offers under the Macquarie Group Employee Share Option Plan (MGESOP) under remuneration arrangements which were the subject of shareholder approvals obtained at a General Meeting of MGL in December 2009. The last grant of Options under the MGESOP was on 8 December 2009. Currently, MGL does not expect to issue any further Options under the MGESOP.

Options now in issue are all five year options over unissued ordinary fully paid shares in MGL and were granted to individuals or the individual’s controlled Company or an entity approved under the MGESOP to hold options. The options were issued for no consideration and were granted at prevailing market prices.

At 31 March 2014 there were no new participants of the MGESOP (2013: 3) .

The following is a summary of options which have been granted subsequant to the MGESOP:

	2014 - No. of Options	2014 - Weighted average exercise price AU$	2013 - Number of Options	2013 - Weighted average exercise price AU$
Outstanding at the beginning of the year	18,500	53.97	28,500	57.70
Adjustment of Options due to 0.9438 ordinary share consolidation	(168)	43.12	-	-
Lapsed during the year	(15,500)	53.91	(10,000)	64.42
Outstanding at the end of the year	2,832	54.91	18,500	53.97
Exercisable at the end of the year	2,832	54.91	17,500	53.95

The exercise price for options outstanding at the end of the financial year was AU$54.91 (2013: AU$53.91 to AU$54.25).

All options outstanding are vested and exercisable and therefore the contractual life has expired. The weighted average remaining contractual life for the share options outstanding as at 31 March 2014 was 0.52 years (2013: 0.56 years). The weighted average remaining contractual life when analysed by exercise price range is:

Exercise Price Range (AU$)	2014 - No. of Options	2014 - Remaining life (years)	2013 - Number of Options	2013 - Remaining life (years)
40-50	-	-	-	-
50-60	2,832	0.52	18,500	0.56
60-70	-	-	-	-
70-80	-	-	-	-

The above tables exclude options that are not exercisable due to the failure to meet performance hurdles.

There were no options issued in the financial year (2013: nil).

The market value of shares which would be issued from the exercise of the outstanding options at 31 March 2014 was AU$0.16 million (2013: AU$0.69 million). No unissued shares, other than those referred to above, are under option under the MGESOP as at the date of this report.

The options were measured at their grant dates based on their fair value and the number expected to vest. This amount is recognised as an expense evenly over the respective vesting periods and the equity provided is treated as a capital contribution.

Notes to the Consolidated Financial Statements

Options granted vest in three equal tranches after the second, third and fourth anniversaries of the date of allocation of the options. Subject to the MGESOP rules and MGL's personal dealing policy, options can be exercised after the vesting period during an options exercise period up to expiry. In individual cases, such as where an employee leaves with the Company's agreement towards the end of a vesting period, MGL's Executive Committee has the power to waive the remainder of any vesting period and allow exercise of some or all of the relevant options.

For options granted to the members of MBL and MGL's Executive Committee, Executive Voting Directors and other Executive Directors where the invitation to apply for the options was sent to the Executive on or after 30 June 2006, in respect of each tranche of vested options, options will only be exercisable if MGL's average annual return on ordinary equity for the three previous financial years is above the 65th (Executive Committee and Executive Voting Directors) and 50th (other Executive Directors) percentiles, of the corresponding figures for all companies in the then S&P/ASX 100 Index, with the conditions to be examined only upon vesting. During the year ended 31 March 2014 the final tranches of these options failed to meet the performance hurdles and consequently did not vest.

Fully paid ordinary shares issued on the exercise of options rank pari passu with all other fully paid ordinary shares then on issue.

The options do not confer any right to directly participate in any share issue or interest issue by MGL or any other body corporate or scheme and carry no dividend or voting rights. The options include terms that provide for the adjustment of the number of options, the exercise price and/or the number of shares to be issued on the exercise of options, in the following circumstances:

- an issue of new shares by way of capitalisation of profits or reserves;
- an issue to holders of shares of rights (pro-rata with existing shareholdings) to subscribe for further shares;
- a pro-rata bonus issue;
- a subdivision, consolidation, cancellation or return of capital;
- other reorganisations.

These terms are consistent with the ASX Listing Rules for the adjustment of options in these circumstances which are intended to ensure that these types of transactions do not result in either a dilution of option holders' interest or an advantage to option holders which holders of ordinary shares do not receive.

For the year ended 31 March 2014, compensation expense relating to the MGESOP totaled AU$3,212 (2013: AU$15,816).

17. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are recognised at fair value.

Group and Company

	2014	2013
Debt issued at fair value	3,918,440,635	4,428,833,316
Equity linked notes	210,724,172	71,526,971
	4,129,164,807	**4,500,360,287**

18. Long-term debt

Group and Company	Interest Rate - %	2014	2013
Listed debt - held at amortised cost	7.41	672,947,322	671,718,643
Unlisted debt - held at amortised cost	9.80	157,080,575	152,474,859
Preference shares issued - held at amortised cost	5.93	437,667,734	360,489,480
		1,267,695,631	**1,184,682,982**

The preference shares were issued at par, mature between 3 and 5 years and pay dividends at a rate linked to Prime.

The fair value of debt issued held at amortised cost is R1,288,520,105 (2013 - R1,229,865,371) calculated using a discounted cashflow model.

Notes to the Consolidated Financial Statements

	Group		Company	
Figures in Rand	2014	2013	2014	2013

19. Collateral on securities lent

Liabilities are pledged as collateral under repurchase agreements with other banks and for security deposits relating to local futures, options and stock exchange memberships. Collateral is placed on call and relates to the borrowing of equity securities.

The related asset below is included in various other assets in the statement of financial position.

Group and Company

	2014 - Liability	2014 - Related Asset	2013 - Liability	2013 - Related Asset
Trading liabilities	(8,882,836,921)	8,212,272,350	(2,940,000)	2,424,975

Collateral that is received is not disposed of or repledged except in a default scenario. There were no default scenarios during the periods under review.

20. Trade portfolio liabilities

Trading liabilities represent the quoted equity securities that the Group intends to buy back in the short term. These securities are measured at fair value through profit and loss and are held for trading.

21. Trade and other payables

Trade payables	4,358,228	3,088,032	4,358,228	3,088,032
Unsettled equity trades with JSE	144,664,175	6,230,453,714	144,664,175	6,230,453,714
VAT	5,528,919	4,048,818	5,528,919	4,048,818
Accrued leave pay	1,083,212	988,225	1,083,212	988,225
Accrued bonus	11,373,641	6,719,822	11,373,641	6,719,822
Accrued expenses	2,377,763	1,745,352	2,377,763	1,745,352
Stock dividend payable	78,077,213	202,503,864	78,077,213	202,503,864
Fees payable	481,155	610,629	481,155	610,629
	247,944,306	**6,450,158,456**	**247,944,306**	**6,450,158,456**

The carrying amount of trade and other payables approximates the fair value.

22. Interest and similar income

Interest income on deposits	337,172,911	254,688,431	337,172,896	254,688,414
Interest income on collateral pledged	366,774,458	78,097,016	366,774,458	78,097,016
	703,947,369	**332,785,447**	**703,947,354**	**332,785,430**

23. Interest expense and similar charges

Interest expense				
Loans from financial institutions	77,679,880	33,923,535	77,679,880	33,923,481
Interest on intercompany loans	164,588,583	42,297,781	164,588,585	42,297,781
Interest expense on collateral received	13,267,396	1,914,743	13,267,396	1,914,743
Interest on repurchase transactions	113,106,268	-	113,106,268	-
Interest on listed debt	198,396,975	154,054,218	198,396,975	154,054,218
	567,039,102	**232,190,277**	**567,039,104**	**232,190,223**

Notes to the Consolidated Financial Statements

	Group		Company	
Figures in Rand	2014	2013	2014	2013

24. Operating profit (loss)

Operating profit (loss) for the year is stated after accounting for the following:

Included in trading losses are the following:				
Net dividends manufactured on trading securities	(1,100,094,936)	(308,238,590)	(1,100,094,936)	(308,238,590)
Gains (losses) on instruments held for trading	1,061,932,150	(466,889,568)	1,061,932,150	(466,889,568)
Gains on instruments at fair value through profit or loss	59,878,273	701,913,106	59,878,273	701,913,106
	21,715,487	**(73,215,052)**	**21,715,487**	**(73,215,052)**

Operating lease from premises	2,458,551	4,027,272	2,458,551	4,027,272
Depreciation on property, plant and equipment	603,703	4,478,812	603,703	4,478,812
Employee costs	47,406,704	40,840,412	47,406,704	40,840,412
Administration charges	34,246,845	18,083,255	34,246,845	18,083,255
Auditors remuneration	1,134,631	981,842	1,134,631	981,842
Communication costs	3,643,445	3,568,623	3,643,445	3,568,623
Professional fees	8,222,892	2,088,602	8,222,892	2,088,602
Other	18,066,086	15,017,112	18,066,086	15,017,112
Total operating expenses	**115,782,857**	**89,085,930**	**115,782,857**	**89,085,930**

25. Taxation

Major components of the tax (income)/expense

Current				
Local income tax - current period	-	-	-	-
Deferred				
Deferred tax	(1,280,268)	(12,858,103)	(1,280,268)	(12,858,103)

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

Applicable tax rate	28.0 %	28.0 %	28.0 %	28.0 %
Effect of exempt income	(100.5)%	3.0 %	(100.5)%	3.0 %
Effect of non-deductible losses	- %	(8.7)%	- %	(8.7)%
Effect of non-deductible expenses	62.2 %	(4.6)%	62.2 %	(4.6)%
Other	4.1 %	(1.5)%	4.1 %	(1.5)%
	(6.2)%	**16.2 %**	**(6.2)%**	**16.2 %**

26. Auditors' remuneration

Fees	1,134,631	948,602	1,134,631	948,602
Advisory services	-	33,240	-	33,240
	1,134,631	**981,842**	**1,134,631**	**981,842**

Notes to the Consolidated Financial Statements

27. Cash generated from (utilised by) operations

	Group		Company	
Figures in Rand	2014	2013	2014	2013
Profit (loss) before taxation	20,598,502	(76,208,577)	20,598,258	(76,208,442)
Adjustments for:				
Depreciation and amortisation	603,703	4,478,812	603,703	4,478,812
Unrealised loss on foreign exchange	8,116,389	17,454,182	8,116,389	17,454,182
Net dividends manufactured on trading securities	1,100,094,936	308,238,590	1,100,094,936	308,238,590
Interest received	(703,947,369)	(332,785,447)	(703,947,354)	(332,785,430)
Interest paid	567,039,102	232,190,277	567,039,104	232,190,223
Movements in loan at amortised cost	-	(773,810,588)	-	(773,810,588)
Employee share options	29,893	135,831	29,893	135,831
Changes in working capital:				
Financial assets at fair value	(940,406,359)	(1,526,833,844)	(940,406,359)	(1,526,833,844)
Trade and other receivables	203,268,013	(245,916,287)	203,268,013	(245,916,287)
Loans from group companies	1,810,866,995	2,167,220,773	1,810,866,995	2,167,220,773
Loans to group companies	(41,370,585)	(48,254,796)	(41,370,585)	(48,254,796)
Trade portfolio assets	(241,172,735)	27,946,036	(241,172,735)	27,946,036
Derivative financial instruments	1,487,352,503	(1,873,613,315)	1,487,352,503	(1,873,613,315)
Collateral on securities borrowed	(3,402,904,358)	(8,604,815,218)	(3,402,904,358)	(8,604,815,218)
Trade and other payables	(6,225,455,143)	6,312,985,338	(6,225,455,143)	6,312,985,338
Financial liabilities at fair value	(390,400,824)	2,416,962,370	(390,400,824)	2,416,962,370
Derivative financial instruments	(1,203,557,645)	1,854,374,448	(1,203,557,645)	1,854,374,448
Collateral received on securities lent	8,879,896,921	(166,410,000)	8,879,896,921	(166,410,000)
Trade portfolio liabilities	121,723,131	(3,745,392)	121,723,131	(3,745,392)
	1,050,375,070	**(310,406,807)**	**1,050,374,843**	**(310,406,709)**

28. Tax refunded

	Group 2014	Group 2013	Company 2014	Company 2013
Balance at beginning of the year	2,416,589	6,422,452	2,416,589	6,422,452
Balance at end of the year	(2,416,589)	(2,416,589)	(2,416,589)	(2,416,589)
	-	**4,005,863**	**-**	**4,005,863**

Notes to the Consolidated Financial Statements

29. Related parties

Relationships

Ultimate holding company	Macquarie Group Ltd
Holding company	Macquarie EMG Holdings Pty Ltd
Subsidiaries	The MF Trust

Related party transactions

Group - 2014	Relationship	General - R	Trading activities - R	Intercompany funding - R	Balance - R
Macquarie First South Securities Pty Ltd	Other	(2,602,273)	-	-	(350,473)
Macquarie First South Pty Ltd	-	(686,764)	-	-	(54,375)
Macquarie Africa Pty Ltd	Other	3,131,302	-	(137,043)	157,592
Macquarie Bank Ltd	Other	1,609,259	331,823,343	620,881	103,058,596
Macquarie Capital Group Ltd	Other	352,418	-	(4,707,928)	(95,490,931)
Macquarie EMG Holdings Pty Ltd	Parent	9,903,808	1,199,344,737	(48,313,715)	(3,212,365,971)
Delta1 Finance Trust	Other	-	(9,942,920)	-	(805,342,920)
Macquarie Financial Holdings Ltd	Other	(7,320,452)	-	554,407	(3,489,099)
Macquarie Group Ltd	Ultimate parent	102,772	-	-	3,198,819
Macquarie Group Services Australia Pty Ltd	Other	(40,553,133)	-	(108,887)	(398,483)
Macquarie Internationale Investments Ltd	Other	28,742	-	48,802,840	673,095,660
Macquarie Holdings (USA) Inc	Other	(558,438)	-	-	(16,203)
Macquarie Services (Hong Kong) Ltd	Other	(943,022)	-	-	-
International Life Solutions Pty Ltd	Other	470,559	-	25,950	247,159
Other Group Entities with balances <R200,000	Other	(145,712)	1,070	(999)	(170,265)
		(37,210,934)	**1,521,226,230**	**(3,264,494)**	**(3,337,920,894)**

Group - 2013	Relationship	General - R	Trading activities - R	Intercompany funding - R	Balance - R
Macquarie First South Securities Pty Ltd	Other	(2,657,592)	-	-	-
Macquarie Africa Pty Ltd	Other	1,903,957	-	4,061	(2,359,678)
Macquarie Bank Ltd	Other	1,485,642	92,653,811	(236,767)	36,868,134
Macquarie Capital (Europe) Ltd	Other	361,053	-	80,407	(631)
Macquarie Capital Group Ltd	Other	(263,049)	-	(2,295,779)	(100,662,326)
Macquarie Capital Securities Ltd	Other	(360,784)	-	-	(119,150)
Macquarie EMG Holdings Pty Ltd	Parent	6,129,623	(1,726,270,836)	(4,787,048)	(2,192,072,863)
Macquarie Financial Holdings Ltd	Other	(4,789,461)	11	(2,989,259)	22,880,474
Macquarie Group Ltd	Ultimate parent	30,956	-	-	5,268,564
Macquarie Group Services Australia Pty Ltd	Other	(22,368,985)	-	(110,079)	(2,939,459)
Macquarie Internationale Investments Ltd	Other	(28,742)	33,136,524	8,305,425	672,969,522
Other Group Entities with balances <R200,000	Other	(602,972)	(6,497)	(606)	(35,048)
		(21,160,354)	**(1,600,486,987)**	**(2,029,645)**	**(1,560,202,461)**

29. Related parties (continued)

Company - 2014	Relationship	General - R	Trading activities - R	Intercompany funding - R	Balance - R
Macquarie First South Securities Pty Ltd	Other	(2,602,273)	-	-	(350,473)
Macquarie First South Pty Ltd	Other	(686,764)	-	-	(54,375)
Macquarie Africa Pty Ltd	Other	3,131,302	-	(137,043)	157,592
Macquarie Bank Ltd	Other	1,609,259	331,823,343	620,881	103,058,596
Macquarie Capital Group Ltd	Other	352,418	-	(4,707,928)	(95,490,931)
Macquarie EMG Holdings Pty Ltd	Parent	9,903,808	1,199,344,737	(48,813,715)	(3,212,365,971)
Delta1 Finance Trust	Other	-	(9,942,920)	-	(805,342,920)
Macquarie Financial Holdings Ltd	Other	(7,320,452)	-	554,407	(3,489,099)
Macquarie Group Ltd	Ultimate Parent	102,772	-	-	3,198,819
Macquarie Group Services Australia Pty Ltd	Other	(40,553,133)	-	(108,887)	(398,483)
Macquarie Internationale Investments Ltd	Other	28,742	-	48,802,840	673,095,660
Macquarie Holdings (USA) Inc	Other	(558,438)	-	-	(16,203)
Macquarie Services (Hong Kong) Ltd	Other	(946,022)	-	-	-
International Life Solutions Pty Ltd		470,559	-	25,950	247,159
Other Group Entities with balances <R200,000	Other	(145,712)	1,070	(999)	(170,265)
		(37,213,934)	**1,521,226,230**	**(3,764,494)**	**(3,337,920,894)**

Company - 2013	Relationship	General - R	Trading activities - R	Intercompany funding - R	Balance - R
Macquarie First South Securities Pty Ltd	Other	(2,657,592)	-	-	-
Macquarie Africa Pty Ltd	Other	1,903,957	-	4,061	(2,359,678)
Macquarie Bank Ltd	Other	1,485,642	92,653,811	(236,767)	36,868,134
Macquarie Capital (Europe) Ltd	Other	361,053	-	80,407	(631)
Macquarie Capital Group Ltd	Other	(263,049)	-	(2,295,779)	(100,662,326)
Macquarie Capital Securities Ltd	Other	(360,784)	-	-	(119,150)
Macquarie EMG Holdings Pty Ltd	Parent	6,129,623	(1,726,270,836)	(4,787,048)	(2,192,072,863)
Macquarie Financial Holdings Ltd	Other	(4,789,461)	11	(2,989,259)	22,880,474
Macquarie Group Ltd	Ultimate parent	30,956	-	-	5,268,564
Macquarie Group Services Australia Pty Ltd	Other	(22,368,985)	-	(110,079)	(2,939,459)
Macquarie Internationale Investments Ltd	Other	(28,742)	33,136,524	8,305,425	672,969,522
Other Group Entities with balances <R200,000	Other	(602,972)	(6,497)	(606)	(35,679)
		(21,160,354)	**(1,600,486,987)**	**(2,029,645)**	**(1,560,203,092)**

Only directors are considered to be key management. Refer Note 31 for compensation paid to directors.

30. Interests in other entities

The Group engages in various transactions with Structured Entities (SEs). SEs are designed so that voting or similar rights are not the dominant factor in affecting an investor's returns (e.g. decisions relate to administrative tasks only, and contractual arrangements determine the direction of activities). Generally, SEs do not have a range of operating and finance activities for which substantive decision-making is required continuously. The Group has interests in SEs that are involved in asset-backed financing.

Asset-backed financing
Asset-backed vehicles are used to provide tailored lending for the purchase or lease of assets transferred by the Consolidated Entity or its client. The assets are normally pledged as collateral to the lenders.

The Group engages in raising finance for assets, listed and unlisted securities. The Group may act as a lender or derivative counterparty.

Notes to the Consolidated Financial Statements

30. Interests in other entities (continued)

Income received by the Consolidated Entity during the year from interests held at the reporting date relates to dividends and interest.

The Group's interests in unconsolidated SEs include, but are not limited to, debt or equity investments, guarantees, liquidity agreements, commitments, fees from investment structures, and fees from derivative instruments that expose the Group to the risks of the unconsolidated SE. The Group does not have an interest where it: (i) is a counterparty to plain vanilla derivatives (e.g. interest rate swaps and cross-currency swaps) or purchases credit protection under a credit default swap; (ii) acts as underwriter or placement agent; (iii) provides administrative, trustee or other services to third party managed SEs; or (iv) transfers assets and does not have any other interest deemed to be significant in the SE.

The following table presents the carrying value and maximum exposure to loss (before the benefit of collateral and credit enhancements) of the Consolidated Entity's interests in unconsolidated SEs as at 31 March 2014:

2014 Group and Company

Carrying value of assets	**Asset-backed financing**
Derivative assets	177,106,403
Loan assets held at amortised cost	342,045,361
Total carrying value of assets	**519,151,764**
Maximum exposure to loss	519,151,764

Maximum exposure to loss is the carrying value for debt and equity held, the undrawn amount for commitments and the notional amounts of guarantees or derivative instruments. Notional amounts are adjusted for any liabilities already recognised.

Subordinated asset-backed interests are included within loans and derivative assets, involve unconsolidated SEs totalling R2.2 billion, and the potential losses borne by others whose interests rank lower than the Group's is Rnil.

The amount of each individual SE represents either the assets of the SE (measured either at amortised cost excluding impairments or fair values if readily available); the principal amount of liabilities if there is nominal equity; or the notional amounts of derivatives if the SE was designed to primarily obtain exposure synthetically through derivative instruments. Size is based on the most current publicly available information to the Group.

31. Directors' emoluments

Group and Company

Executive

2014

	Emoluments
For services as directors	10,189,271

2013

	Emoluments
For services as directors	14,060,798

Variable remuneration received by the directors in the current year relates to financial performance of the prior year. A full schedule of directors' emoluments is included in Note 37.

Notes to the Consolidated Financial Statements

	Group		Company	
Figures in Rand	2014	2013	2014	2013

32. Risk management

Risk Management Group

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

Risk is an integral part of the Group's businesses. The main risks faced by the Group are market risk, equity risk, credit risk, liquidity risk, operation risk, legal compliance risk and documentation risk. Responsibility for management of these risks lies with the individual businesses giving rise to them. It is the responsibility of the Risk Management Group ("RMG") to ensure appropriate assessment and management of these risks.

RMG is independent of all other areas of the Group, reporting directly to the Managing Director of the Group and the Board of the Group. The Head of RMG is a member of the Executive Committee of Macquarie Bank Limited and Macquarie Group Limited. RMG authority is required for all material risk acceptance decisions. RMG identifies, quantifies and assesses all material risks and sets prudential limits. Where appropriate, these limits are approved by the Executive Committee and the Board.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 12, 17 & 18 and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt.

Capital adequacy and the use of regulatory capital are monitored by the Group's management, employing techniques based on the guidelines of the JSE Securities Exchange, for supervisory purposes. The required information is filed with the Authority on a monthly basis.

There have been no changes to the Group's strategy for capital maintenance or externally imposed capital requirements from the previous year.

The table below reflects the Company's capital:

Company	**2014**	**2013**
Share capital	327,100	327,100
Reserves	4,299,502	4,269,609
Retained income	74,489,635	52,611,109
Redeemable preference shares	421,000,000	346,000,000
	500,116,237	**403,207,818**

32. Risk management (continued)

Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (Group treasury) under policies approved by the board. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Notes to the Consolidated Financial Statements

32. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn.

The Group's liquidity management process, as carried out within the Group and monitored by a separate team in Group Treasury, includes:

• Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. The Group maintains an active presence in global money markets to enable this to happen.

• Monitoring balance sheet liquidity ratios against internal and regulatory requirements; and

• Managing the concentration and profile of debt maturities.

Funding approach

Sources of liquidity are regularly reviewed by a separate team in the Group to maintain a wide diversification by currency, geography, provider, product and term.

Contractual undiscounted cash flows

The table below summarises the maturity profile of the group's financial liabilities as at 31 March based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were given immediately.

Group - 2014	**At Call**	**3 months or less**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**
Trade portfolio liabilities	-	353,003,445	-	-	-
Collateral on securities lent	-	8,882,836,921	-	-	-
Debt issued at amortised cost	-	59,047,045	192,348,366	1,229,669,823	-
Derivative financial instruments	-	1,247,789,596	15,137,378	37,432,924	-
Financial liabilities at fair value through profit or loss	-	3,003,306,314	903,875,355	325,006,040	-
Intercompany	-	4,117,273,872	-	-	-
Other liabilities	-	247,944,306	-	-	-
	-	**17,911,201,499**	**1,111,361,099**	**1,592,108,787**	**-**

Group - 2013	**At Call**	**3 months or less**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**
Trade portfolio liabilities	-	231,280,314	-	-	-
Collateral on securities lent	-	2,940,000	-	-	-
Debt issued at amortised cost	-	17,929,999	59,574,332	1,343,197,232	-
Derivative financial instruments	-	2,657,929,777	54,415,775	74,269,772	-
Financial liabilities at fair value through profit or loss	-	3,711,038,515	670,111,120	181,000,763	-
Intercompany	-	2,298,290,488	-	-	-
Other liabilities	-	6,450,158,456	-	-	-
	-	**15,369,567,549**	**784,101,227**	**1,598,467,767**	**-**

32. Risk management (continued)

Company - 2014	At Call	3 months or less	3 to 12 months	1 to 5 years	Over 5 years
Trade portfolio liabilities	-	353,003,445	-	-	-
Collateral on securities lent	-	8,882,836,921	-	-	-
Debt issued at amortised cost	-	59,047,045	192,348,366	1,229,669,823	-
Derivative financial instruments	-	1,247,789,596	15,137,378	37,432,924	-
Financial liabilities designated at fair value	-	3,003,306,314	903,875,355	325,006,040	-
Intercompany	-	4,117,273,872	-	-	-
Other liabilities	-	247,944,306	-	-	-
	-	**17,911,201,499**	**1,111,361,099**	**1,592,108,787**	**-**

Company - 2013	At Call	3 months or less	3 to 12 months	1 to 5 years	Over 5 years
Trade portfolio liabilities	-	231,280,314	-	-	-
Collateral on securities lent	-	2,940,000	-	-	-
Debt issued at amortised cost	-	17,929,999	59,574,332	1,343,197,232	-
Derivative financial instruments	-	2,657,929,777	54,415,775	74,269,772	-
Financial liabilities at fair value through profit or loss	-	3,711,038,515	670,111,120	181,000,763	-
Intercompany	-	2,298,290,488	-	-	-
Other liabilities	-	6,450,158,456	-	-	-
	-	**15,369,567,549**	**784,101,227**	**1,598,467,767**	**-**

Interest rate risk

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

The Group is exposed to the general South African interest rate market, the table below indicates the Group’s exposure to movements in interest rates as at 31 March.

Interest rate risk - Group and Company	2014 - Movement in interest rate	2014 - Sensitivity of profit before tax	2013 - Movement in interest rate	2013 - Sensitivity of profit before tax
South African Rand	+50 Bps	(2,427,600)	+50 Bps	(3,149,110)
South African Rand	- 50 Bps	2,427,600	- 50 Bps	3,149,110

32. Risk management (continued)

Credit risk

Credit risk is the risk of a counterparty failing to complete its contractual obligations when they fall due. Credit risk within the Group is managed on a group basis by the Risk Management Group at MGL.

(a) Loans and deposits

In measuring credit risk the Group reflects three components (i) the 'probability of default' by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Group derive the 'exposure at default'; and (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default').

Group's internal ratings scale and mapping of external ratings

Group's rating	Description of the grade	External Rating
1	Investment Grade	AAA to BBB-
2	Below Investment Grade	BB+ to C
3	Default	Default

(i) The ratings of the major rating agency shown in the table above are mapped to our rating classes based on the long-term average default rates for each external grade. The Group uses the external ratings where available to benchmark our internal credit risk assessment. Observed defaults per rating category vary year on year, especially over an economic cycle.

(ii) Exposure at default is based on the amounts the Group expects to be owed at the time of default. For example, for a loan this is the face value. For a commitment, the Group includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur.

(iii) Loss given default or loss severity represents the Group's expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure and typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit mitigation.

(b) Debt securities

For deposits with institutions, external rating such as Standard & Poor's rating or their equivalents are used by Group Treasury for managing of the credit risk exposures. The investments in those securities are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirement at the same time.

1. Risk limit control and mitigation policies

The Group manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and groups, and to industries and countries.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and by country are approved quarterly by the Board of Directors of MGL.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined below.

(a) Collateral

The Group employs a range of policies and practices to mitigate credit risk. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation.

32. Risk management (continued)

Within the securities lending business, for the period of the loan, the lender is secured by acceptable assets delivered by the borrower to the lender as collateral. Each client dealing with the South African stock banking desk has undergone a stringent credit approval process, whereby the client has to furnish RMG Credit with their most recent financial statements, as well as any guarantees that may be applicable. A volume, valuation and settlement limit is approved for each client, based on the size of their balance sheet and other credit requirements. Credit does not approve a limit unless there has been KYC / FICA signoff, and the legal requirements and agreements have been approved.

Collateral has to be received and placed in ZAR denominated cash / securities. Each bank / institution / lending desk has their own internal requirements, but generally most parties are comfortable to receive the following types of collateral with the respective margins applied:

Cash - ZAR, a 5% margin is added to the total exposure. Interest is accrued by the borrower and is payable on a monthly basis.

Equities - each party has a say in what equities can be pledged as collateral. Generally, the top 100 equities can be pledged. A margin of 15% is added to the total exposure when equity collateral is being pledged.

Money market instruments - most market participants will accept all SA government bonds, promissory notes and negotiable certificates of deposit, as collateral. A margin of 10% is added to the total exposure when margin calls are made.

Exposure to the clients is marked daily to ensure Macquarie is always sufficiently collateralised.

(b) Derivatives

The Group maintains strict control limits on net open derivative positions (i.e. the difference between purchase and sale contracts), by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e. assets where their fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Group requires margin deposits from counterparties.

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the Group’s market transactions on any single day.

(c) Master netting arrangements

The Group further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Group’s overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement.

32. Risk management (continued)

2. Credit quality of financial assets

The credit quality of financial assets is managed by using internal credit ratings.

The table below shows the credit quality by class of financial asset for loan related balance sheet lines, based on the credit rating system.

The amounts shown represent the maximum credit risk of the assets before any credit enhancements described above. In all cases the amounts shown are equal to the carrying value of the assets.

Group - 2014	Investment grade	Below investment grade	Unrated	Past due or individually impaired	Total
Cash and cash equivalents	11,642,357	-	528,802,431	-	540,444,788
Collateral on securities borrowed	12,357,414,645	-	20,304,931	-	12,377,719,576
Financial assets designated at fair value	4,627,109,173	-	132,359,590	-	4,759,468,763
Loans at amortised cost	673,095,660	-	329,386,041	-	1,002,481,701
Derivative financial instruments	1,250,096,531	-	209,956,184	-	1,460,052,715
Other assets	93,679,786	-	1,986,048	-	95,665,834
Intercompany	106,662,166	-	-	-	106,662,166
	19,119,700,318	**-**	**1,222,795,225**	**-**	**20,342,495,543**

Group - 2013	Investment grade	Below Investment grade	Unrated	Past due or individually impaired	Total
Cash and cash equivalents	8,142,718	-	362,324,530	-	370,467,248
Collateral on securities borrowed	8,867,065,218	-	107,750,000	-	8,974,815,218
Financial assets designated at fair value	3,758,927,844	-	51,125,714	-	3,810,053,558
Loans at amortised cost	672,796,440	-	296,039,048	-	968,835,488
Derivative financial instruments	2,792,768,158	-	154,637,060	-	2,947,405,218
Other assets	298,713,129	-	220,718	-	298,933,847
Intercompany	65,291,581	-	-	-	65,291,581
	16,463,705,088	**-**	**972,097,070**	**-**	**17,435,802,158**

Company - 2014	Investment grade	Below investment grade	Unrated	Past due or individually impaired	Total
Cash and cash equivalents	11,642,043	-	528,802,431	-	540,444,474
Collateral on securities borrowed	12,357,414,645	-	20,304,931	-	12,377,719,576
Financial assets designated at fair value	4,627,109,173	-	132,359,590	-	4,759,468,763
Loans at amortised cost	673,095,660	-	329,386,041	-	1,002,481,701
Derivative financial instruments	1,250,096,531	-	209,956,184	-	1,460,052,715
Other assets	93,679,786	-	1,986,048	-	95,665,834
Intercompany	106,662,166	-	-	-	106,662,166
	19,119,700,004	**-**	**1,222,795,225**	**-**	**20,342,495,229**

32. Risk management (continued)

Company - 2013	Investment grade	Below Investment grade	Unrated	Past due or individually impaired	Total
Cash and cash equivalents	8,142,718	-	362,324,460	-	370,467,178
Collateral on securities borrowed	8,867,065,218	-	107,750,000	-	8,974,815,218
Financial assets designated at fair value	3,758,927,844	-	51,125,714	-	3,810,053,558
Loans at amortised cost	672,796,440	-	296,039,048	-	968,835,488
Derivative financial instruments	2,792,768,158	-	154,637,060	-	2,947,405,218
Other assets	298,713,129	-	220,718	-	298,933,847
Intercompany	65,291,581	-	-	-	65,291,581
	16,463,705,088	**-**	**972,097,000**	**-**	**17,435,802,088**

During the year, the mappings of external credit ratings were aligned to those used by the Macquarie Group. As a result, R2.6bn has been reclassified to Investment grade in the prior year for comparison purposes.

There have been no changes in value to any assets or liabilities at fair value through profit or loss due to any changes in credit risk of the counterparties.

Intercompany balances have been classified according to Macquarie Group Ltd's credit rating.

Foreign exchange risk

The table below indicates the foreign currency markets to which the Group had significant exposure at 31 March on its trading investment portfolio.

Foreign currency exposure at the end of the reporting period

Group and Company

Foreign exchange	Movement in rate	2014 - Sensitivity of profit before tax	2013 - Sensitivity of profit before tax
AUD	+10%	(5,464,278)	(6,394,825)
EUR	+10%	(126,993)	(100,054)
GBP	+10%	(3,664,439)	(2,249,875)
HKD	+10%	(418,211)	(241,330)
USD	+10%	(466,992)	(324,338)
AUD	-10%	5,464,278	6,394,825
EUR	-10%	126,993	100,054
GBP	-10%	3,664,439	2,249,875
HKD	-10%	418,211	241,330
USD	-10%	466,992	324,338

32. Risk management (continued)

Market risk

Market risk is the exposure to adverse changes in the value of the Group's trading portfolios as a result of changes in market prices or volatility. The Group is exposed to the following risks in each of the major markets in which it trades:

Equities: changes in the price and volatility of individual equities, equity derivatives, equity baskets and equity indices, including the risks arising from equity underwriting activity;

Interest rates: changes in the level, shape and volatility of yield curves, the basis between different interest rate securities and derivatives and credit margins;

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

Equity Price Risk

The table below indicates the equity markets to which the Group had significant exposure at 31 March 2014 on its trading investment portfolio:

Group and Company

	Movement in equity price - %		Sensitivity of profit before tax - R	
Equity price risk	**2014**	**2013**	**2014**	**2013**
South Africa	10%	10%	1,287,658	(203,886)
South Africa	-10%	-10%	(1,287,658)	203,886

33. Off-balance sheet items

Non-cash collateral

Securities including shares, NCDs and bonds have been pledged and received during the year as collateral. Legal title to these securities passes from the lender to the borrower although the lender retains the right to recall the securities at any time. Assets pledged as security are never removed from the balance sheet and assets received as collateral are never recognised on the balance sheet.

Group and Company	**2014**	**2013**
Collateral pledged	260,000,000	218,963,607
Collateral received	(5,075,320)	(36,674,629)
	254,924,680	**182,288,978**

34. Valuation of financial instruments

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

• Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

• Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

• Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The carrying value of the assets and liabilities approximate the fair value of those assets and liabilities for all classes disclosed below.

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

Group - 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
Trade portfolio assets	278,792,996	-	-	278,792,996
Derivative financial instruments	1,234,277,940	225,774,774	-	1,460,052,714
Financial assets at fair value through profit or loss	-	4,655,067,158	104,401,607	4,759,468,765
	1,513,070,936	**4,880,841,932**	**104,401,607**	**6,498,314,475**
Trade portfolio liabilities	(353,003,426)	-	-	(353,003,426)
Derivative financial instruments	(1,529,835,425)	(45,621,101)	-	(1,575,456,526)
Financial liabilities at fair value through profit or loss	-	(4,034,516,270)	(94,648,537)	(4,129,164,807)
	(1,882,838,851)	**(4,080,137,371)**	**(94,648,537)**	**(6,057,624,759)**

Group - 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Trade portfolio assets	37,620,277	-	-	37,620,277
Derivative financial instruments	2,708,632,556	54,022,338	184,750,324	2,947,405,218
Financial assets at fair value through profit or loss	-	3,810,055,558	-	3,810,055,558
	2,746,252,833	**3,864,077,896**	**184,750,324**	**6,795,081,053**
Trade portfolio liabilities	(231,280,314)	-	-	(231,280,314)
Derivative financial instruments	(2,769,932,979)	(9,081,192)	-	(2,779,014,171)
Financial liabilities at fair value through profit or loss	-	(4,500,360,287)	-	(4,500,360,287)
	(3,001,213,293)	**(4,509,441,479)**	**-**	**(7,510,654,772)**

Notes to the Consolidated Financial Statements

Company - 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
Trade portfolio assets	278,792,996	-	-	278,792,996
Derivative financial instruments	1,234,277,940	225,774,774	-	1,460,052,714
Financial assets at fair value through profit or loss	-	4,655,067,158	104,401,607	4,759,468,765
	1,513,070,936	**4,880,841,932**	**104,401,607**	**6,498,314,475**

Trade portfolio liabilities	(353,003,426)	-	-	(353,003,426)
Derivative financial instruments	(1,529,835,425)	(45,621,101)	-	(1,575,456,526)
Financial liabilities at fair value through profit or loss	-	(4,034,516,270)	(94,648,537)	(4,129,164,807)
	(1,882,838,851)	**(4,080,137,371)**	**(94,648,537)**	**(6,057,624,759)**

Company - 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Trade portfolio assets	37,620,277	-	-	37,620,277
Derivative financial instruments	2,708,632,556	54,022,338	184,750,324	2,947,405,218
Financial assets at fair value through profit or loss	-	3,810,055,558	-	3,810,055,558
	2,746,252,833	**3,864,077,896**	**184,750,324**	**6,795,081,053**

Trade portfolio liabilities	(231,280,314)	-	-	(231,280,314)
Derivative financial instruments	(2,769,932,979)	(9,081,192)	-	(2,779,014,171)
Financial liabilities at fair value through profit or loss	-	(4,500,360,287)	-	(4,500,360,287)
	(3,001,213,293)	**(4,509,441,479)**	**-**	**(7,510,654,772)**

During the year there were no transfers of securities from Level 1 to Level 2 of the fair value hierarchy.

The following tables shows a reconciliation from beginning balances to ending balances for fair value measurements in Level 3 of the fair value hierarchy:

Group and Company - 2014	**Derivative Financial Instruments - R**	**Financial assets at fair value through profit or loss - R**	**Financial liabilities at fair value through profit or loss - R**
Opening balance	184,750,324	-	-
Transfers to Level 2	(184,750,324)	-	-
Purchases	-	103,000,000	93,019,586
Total gains and losses in profit or loss	-	1,401,607	1,628,951
	-	**104,401,607**	**94,648,537**

Group and Company - 2013	**Derivative Financial Instruments - R**	**Financial assets at fair value through profit or loss - R**	**Financial liabilities at fair value through profit or loss - R**
Opening balance	201,149,649	-	-
Total gains and losses in profit or loss	(31,359,240)	-	-
Purchases	14,959,914	-	-
	184,750,323	**-**	**-**

All of the gains and losses included in profit and loss for the period are included as net trading income in the statement of comprehensive income.

During the year there were transfers out of Level 3 of the fair value hierarchy. This is due to the unobservable input driving less than 20% of the valuation.

The financial assets at fair value through profit and loss in level 3 represent investments into unlisted funds where the value is based on the Net Asset Value of the fund.

Notes to the Consolidated Financial Statements

The financial liability at fair value through profit and loss in level 3 represents notes linked to the unlisted fund investments. As such, the company has limited exposure to the underlying funds.

The details of the funds are as follows:

Group and Company - 2014	% Holding	Holding - R	Assets under management - R
Blue Ink Fixed Income Fund	10.4%	51,755,805	495,609,465
Blue Ink Long Short Aggressive Fund	11.2%	52,645,802	471,453,547

All of the gains and losses included in profit and loss for the period are included as net trading income in the statement of comprehensive income.

35. Contingent liabilities and commitments

Operating lease commitments

Where a Group company is the lessee, the future minimum lease payments under non-cancelable operating leases are as follows:

Group and Company

Lease of premises	2014	2013
No later than 1 year	2,420,968	2,605,686
Later than 1 year but less than 5 years	221,580	2,642,548
	2,642,548	**5,248,234**

36. Segment reporting

The business can be classified in three distinct segments. The trading segment contains the revenue generating activities comprising of derivative trading and providing financial solutions for corporate clients. The treasury segment contains capital management and stocklending activities which support the trading business and hence all amounts relating to the treasury segment are "inter-segment". The corporate head office contains support costs not allocated to the first two segments. It is not an operating segment, but reconciles to that of the group/company as a whole.

Segments have been classified based on the grouping that management uses for key decision making. Internal financial reporting is segregated in this manner for group reporting purposes.

The executive directors as described in the Report on Corporate Governance acts as the chief operating decision maker.

Group

2014	Trading	Treasury	Corporate Head Office	Total
Net interest income	110,149,547	39,651,160	(12,892,440)	136,908,267
Net trading (loss)/gain	10,698,014	(15,110,059)	3,885,137	(526,908)
Net profit/(loss)	40,118,564	13,829,164	(33,349,226)	20,598,502

2014	Trading	Treasury	Corporate Head Office	Total
Net Asset Value at year end	78,273,877	177,707,226	(176,864,866)	79,116,237

Notes to the Consolidated Financial Statements

2013	Trading	Treasury	Corporate Head Office	Total
Net interest income	49,677,469	60,747,669	(9,829,968)	100,595,170
Net trading (loss)/gain	(40,277,610)	(48,393,474)	953,267	(87,717,817)
Net profit/(loss)	(51,945,698)	2,884,365	(27,147,244)	(76,208,577)

2013	Trading	Treasury	Corporate Head Office	Total
Net Asset Value at year end	51,767,982	155,584,573	(150,144,667)	57,207,888

Company

2014	Trading	Treasury	Corporate Head Office	Total
Net interest income	110,149,530	39,651,160	(12,892,440)	136,908,250
Net trading (loss)/gain	10,697,788	(15,110,059)	3,885,136	(527,135)
Net profit/(loss)	40,118,321	13,829,164	(33,349,227)	20,598,258

2014	Trading	Treasury	Corporate Head Office	Total
Net Asset Value at year end	78,274,193	177,707,226	(176,864,868)	79,116,551

2013	Trading	Treasury	Corporate Head Office	Total
Net interest income	49,677,507	60,747,669	(9,829,968)	100,595,208
Net trading (loss)/gain	(40,277,512)	(48,393,474)	953,267	(87,717,719)
Net profit/(loss)	(51,945,563)	2,884,365	(27,147,244)	(76,208,442)

2013	Trading	Treasury	Corporate Head Office	Total
Net Asset Value at year end	51,767,982	155,584,573	(150,144,737)	57,207,818