

MACQUARIE

Macquarie Securities South Africa Limited
Financial Statements
for the year ended 31 March 2016

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

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 undertakes Equity Derivative Trading, Origination and Equity Finance activities.
Directors	Graham Crawford Nicholas Luck James Burgess Duncan MacRobert Peter Gordon Timothy Leclercq Nicola Bosworth Nikolai Mavrodinov
Registered office	Level 2, Great Westerford 240 Main Road Rondebosch Cape Town 7700
Business address	Level 2, Great Westerford 240 Main Road Rondebosch Cape Town 7700
Postal address	PO Box 50525 Waterfront Cape Town 8002
Holding company	Macquarie EMG Holdings Pty Limited incorporated in Australia
Ultimate holding company	Macquarie Group Limited incorporated in Australia
Bankers	Standard Bank of South Africa
Auditors	PricewaterhouseCoopers Inc. Chartered Accountants (S.A.) Registered Auditors
Secretary	David Scheppening
Company registration number	2006/023546/06
Level of assurance	These financial statements have been audited in compliance with the applicable requirements of the Companies Act, 71 of 2008.

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Index

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

Index	Page
Report of the Audit Committee	3 - 4
Report of Corporate Governance	5
Directors' Report	6 - 7
Directors' Responsibilities and Approval	8
Independent Auditor's Report	9 - 10
Statement of Financial Position	11
Statement of Profit or Loss and Other Comprehensive Income	12
Statement of Changes in Equity	13
Statement of Cash Flows	14
Accounting Policies	15 - 23
Notes to the Financial Statements	24 - 62

Level of assurance

These 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

23 June 2016

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Report of the Audit Committee

The Board Audit Committee ("BAC" or the "Committee") is constituted as a statutory committee in terms of the Companies Act No 71, 2008 ("Act"), and has an independent role with accountability to both the board and to shareholders of Macquarie Securities South Africa Limited ("MSSA" or the "Company"). The BAC operates under an approved charter, assigned by the MSSA board of directors (the "Board"), setting out the duties and responsibilities.

Composition of the Committee

The Committee currently comprises of three independent non-executive directors who are all suitably skilled, with all three members having relevant financial experience. The Committee is elected by the shareholders at the Company's annual general meeting ("AGM").

King III recommends that the chairman of the Board should not be a member of a company's audit committee. The chairman of the Board, Peter Gordon (the "Chairman"), currently serves on the Company's Committee due to the small size of the Board. The Board has considered the issue and believes that the Chairman's skills, knowledge and experience allow him to make a significant contribution to the Committee and to equip the Committee to perform its functions and the Board has therefore recommended that he continues to serve on the Committee.

Fees paid to the BAC members are disclosed in the notes to the Company's financial statements.

Internal audit

The Company's internal audit function is provided by an independent team within the Macquarie Group Limited's ("MGL") Risk Management Group ("RMG"). The internal audit team has provided feedback to the Committee and has direct access to the Committee. The Committee is satisfied that the Company's internal audit function is independent and has the necessary resources and authority to enable it to discharge its duties.

Internal control

Systems of internal control are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and provide reasonable, but not absolute, assurance against misstatement or loss.

While the Board is responsible for the internal control systems and for reviewing their effectiveness, responsibility for their implementation and maintenance rests with executive management. The systems of internal control are based on Macquarie Group structures, together with written policies and procedures. These provide for segregation of duties, clearly-defined lines of authority and accountability.

The Committee has assessed the effectiveness of the internal control system based on information and explanations given by management, work done by the internal audit division and discussions with the external auditor on the results of the audit. Through this process no material matter has come to the attention of the Committee that caused its members to believe that the Group's system of internal controls and risk management is not effective and would not result in the preparation of reliable financial statements.

External audit

The Committee has evaluated the independence and expertise of PricewaterhouseCoopers Inc ("PwC") as the external auditor, and nominates them as external auditors for the ensuing year. In arriving at this decision, the Committee was cognisant that PwC has been previously appointed as an auditor of the Company and noting any consultancy work or advisory work PwC may have performed for the Company, and has approved the terms of engagement and fees paid to PwC.

The external auditor has unrestricted access to the Group's records and management. PwC presents a report to the Committee on significant findings arising from the annual audit and is able to raise any areas of concern directly with the Committee. The Committee is satisfied that the external auditor is independent of the Company.

Non-audit services

Non-audit services provided by the external auditor may only be undertaken on approval by the Committee. These services should exclude any work which may be subject to external audit and could compromise the auditor's independence. All non-audit services undertaken during the year were approved in accordance with this policy.

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Report of the Audit Committee

Activities of the Board Audit Committee

The Committee met two times during the financial year. Minutes of the meetings of the Committee are presented at each Board meeting together with an update from the chairman of the Committee. Matters requiring action or improvement are identified and appropriate recommendations are made to the Board.

Evaluation of the Head of Finance (South Africa)

The Committee is satisfied that the expertise and experience of the Head of Finance (South Africa) is appropriate to meet the responsibilities of the position. This is based on qualifications, level of experience and the Board's assessment of the financial knowledge of the Head of Finance.

Approval of the Annual Financial Statements

The Committee has reviewed the Company's annual financial statements and considered the Company's accounting practices and internal financial control to be appropriate. The Committee has recommended approval of the annual financial statements of the Company for the year ended 31 March 2016 to the Board.



Tim Leclercq

Chairperson: Board Audit Committee

14 June 2016

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

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 five executive directors, Graham Crawford, James Burgess, Nicholas Luck, Nicola Bosworth and Nikolai Mavrodinov and three non-executive directors, Duncan MacRobert, Peter Gordon and Tim Leclercq. Peter Gordon is chairman of the Board of Directors.

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. James Burgess, Nicola Bosworth and Duncan MacRobert are the members of the S&EC. Tim Leclercq is chairman of the BAC and James Burgess is chairman 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 management that risks in subsidiaries are subject to the same rigour and risk acceptance decisions as the parent company.

In the context of the Company's ownership structure and its operation within MGL's risk management framework, the Board believes it is appropriate to look to MGL's Corporate Governance Summary 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.

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Directors' Report

The directors have pleasure in submitting their report on the financial statements of Macquarie Securities South Africa Limited for the year ended 31 March 2016.

1. Review of financial results and activities

The 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.

The company recorded a net loss after tax for the year ended 31 March 2016 of R 216,164,339 (2015: Net profit after tax R54,571,265).

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

2. Share capital

Refer to note 15 of the 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		Resigned 29 September 2015
Graham Crawford		
Nicholas Luck		
James Burgess		
Duarte da Silva	Non-Executive	Resigned 11 November 2015
Duncan MacRobert	Non-executive	
Peter Gordon	Non-executive	
Timothy Leclercq	Non-executive	
Nicola Bosworth		Appointed 29 September 2015
Nikolai Mavrodinov		Appointed 29 September 2015

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. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

6. Auditors

PricewaterhouseCoopers Inc. continued in office as auditors for the company for 2016.

At the AGM, the shareholder will be requested to reappoint PricewaterhouseCoopers Inc. as the independent external auditors of the company for the 2017 financial year.

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Directors' Report

7. Secretary

The company secretary is David Scheppening.

Postal address

PO Box 50525
Waterfront
Cape Town
8002

Business address

Level 2, Great Westerford
240 Main Road
Rondebosch
Cape Town
7700

The financial statements set out on pages 11 to 62, which have been prepared on the going concern basis, were approved by the board on 22 June 2016 and were signed on its behalf by:



Graham Crawford

23 June 2016



Peter Gordon

23 June 2016

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

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 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 judgments and estimates.

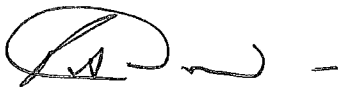
The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal 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 Company and all employees are required to maintain the highest ethical standards in ensuring the Company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Company is on identifying, assessing, managing and monitoring all known forms of risk across the Company. 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 company's cash flow forecast for the year to 31 March 2017 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.



Graham Crawford
Director



Peter Gordon
Director



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

We have audited the financial statements of Macquarie Securities South Africa Limited set out on pages 11 to 62, which comprise the statement of financial position as at 31 March 2016, and the statement of comprehensive income, statement of changes in equity and statement 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 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 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 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 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.

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Chief Executive Officer: T D Shango
Management Committee: T P Blandin de Chalain, S N Madikane, P J Mothibe, C Richardson, F Tonelli, C Volschenk
Western Cape region – Partner in charge: D J Fölscher
The Firm's principal place of business is at 2 Eglin Road, Sunninghill where a list of directors' names is available for inspection.
VAT reg.no. 4070182128.



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 financial statements present fairly, in all material respects, the financial position of Macquarie Securities South Africa Limited as at 31 March 2016, and its financial performance and its cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 31 March 2016, we have read the Directors' Report, the Report of the Audit Committee and the Report of Corporate Governance for the purpose of identifying whether there are material inconsistencies between these reports and the audited 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 financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Macquarie Securities South Africa Limited for 9 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: NA Jacobs

Registered Auditor

Cape Town

23 June 2016

Date

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Statement of Financial Position as at 31 March 2016

Figures in Rand	Note(s)	2016	2015
Assets			
Non-Current Assets			
Property, plant and equipment	3	22,930,761	312,278
Investments in associates	4	420	420
Loans at amortised cost	8	-	672,271,334
Deferred tax	7	40,222,792	19,824,075
		63,153,973	692,408,107
Current Assets			
Loans to group companies	5	461,374,544	103,697,424
Trade and other receivables	13	592,702,296	630,270,920
Financial assets at fair value through profit and loss	6	4,026,443,154	4,780,958,994
Loans at amortised cost	8	582,635,555	503,495,740
Trade portfolio assets	9	651,180,990	212,025,274
Derivative financial instruments	10	1,511,808,353	905,696,463
Collateral on securities borrowed	11	1,056,367,421	5,521,354,532
Cash and cash equivalents	14	65,947,989	91,087,269
		8,948,460,302	12,748,586,616
Total Assets		9,011,614,275	13,440,994,723
Equity and Liabilities			
Equity			
Share capital	15	190,327,100	327,100
Reserves		4,299,502	4,299,502
Accumulated (loss)/profit		(87,103,439)	129,060,900
		107,523,163	133,687,502
Liabilities			
Non-Current Liabilities			
Loans from group companies	12	1,921,620,746	1,308,280,139
Issued debt	18	-	799,189,533
		1,921,620,746	2,107,469,672
Current Liabilities			
Loans from group companies	12	60,754,829	3,365,763,360
Derivative financial instruments	10	1,418,799,628	796,043,188
Financial liabilities at fair value through profit or loss	17	2,207,503,723	2,282,354,034
Issued debt	18	776,066,362	512,468,327
Trade and other payables	21	716,236,254	1,812,566,120
Collateral received on securities lent	19	921,850,000	1,913,652,660
Trade portfolio liabilities	20	881,259,570	516,989,860
		6,982,470,366	11,199,837,549
Total Liabilities		8,904,091,112	13,307,307,221
Total Equity and Liabilities		9,011,614,275	13,440,994,723

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Statement of Profit or Loss and Other Comprehensive Income

Figures in Rand	Note(s)	2016	2015
Interest and similar income	22	695,912,057	819,779,785
Interest expense and similar charges	23	(627,371,360)	(788,538,118)
Net interest income		68,540,697	31,241,667
Net trading (loss)/income		(138,020,694)	165,607,421
Operating expenses		(167,083,058)	(133,405,268)
Operating (loss)/profit	24	(236,563,055)	63,443,820
(Loss)/profit before taxation		(236,563,055)	63,443,820
Taxation	25	20,398,716	(8,872,555)
(Loss)/profit for the year		(216,164,339)	54,571,265
Other comprehensive income		-	-
Total comprehensive (loss)/income for the year		(216,164,339)	54,571,265

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Statement of Changes in Equity

Figures in Rand	Share capital	Other NDR	Accumulated (loss)/profit	Total equity
Balance at 01 April 2014	327,100	4,299,502	74,489,635	79,116,237
Total comprehensive income for the year	-	-	54,571,265	54,571,265
Balance at 01 April 2015	327,100	4,299,502	129,060,900	133,687,502
Total comprehensive Loss for the year	-	-	(216,164,339)	(216,164,339)
Issue of ordinary shares	190,000,000	-	-	190,000,000
Total contributions by and distributions to owners of company recognised directly in equity	190,000,000	-	-	190,000,000
Balance at 31 March 2016	190,327,100	4,299,502	(87,103,439)	107,523,163
Note(s)	15			

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Statement of Cash Flows

Figures in Rand	Note(s)	2016	2015
Cash flows from operating activities			
Cash generated from (utilised by) operations	27	876,344,818	702,662,082
Interest received		660,268,540	841,115,383
Interest paid		(569,289,387)	(784,806,370)
Tax received	28	-	2,416,589
Net dividends manufactured on trading securities		(572,272,668)	(1,219,844,690)
Net cash generated from (utilised by) operating activities		395,051,303	(458,457,006)
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(25,816,975)	(307,443)
Investment in associate		-	(120)
Net cash (utilised by) generated from investing activities		(25,816,975)	(307,563)
Cash flows from financing activities			
Proceeds on share issue	15	190,000,000	-
Repayment of long-term debt		(707,705,952)	(157,080,575)
Proceeds on preference shares issued		500,000,000	200,000,000
Repayment of preference shares		(300,000,000)	-
Preference dividends paid		(76,667,656)	(33,512,061)
Net cash from financing activities		(394,373,608)	9,407,364
Total cash movement for the year		(25,139,280)	(449,357,205)
Cash at the beginning of the year		91,087,269	540,444,474
Total cash at end of the year	14	65,947,989	91,087,269

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Accounting Policies

1. Presentation of financial statements

The 2016 financial statements of the Company have been prepared in accordance with and containing information required by International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and comply with the South African Companies Act No. 71 of 2008. 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 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management may be required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Refer to the following notes where additional disclosure is made: Financial assets at fair value - Note 6; Deferred Tax - Note 7; Derivative financial instruments - Note 10; Employee Share Option Scheme - Note 16; Financial liabilities at fair value - Note 17; Risk Management - Note 32; Valuation of financial instruments - Note 35 and Note 1.3 below - Fair Value Determination.

Management estimates are deemed to be reasonable based on available market information. In the event market information is not available, sensitivity analyses have been disclosed.

1.2 Property, plant and equipment

Property, plant and equipment are tangible assets which the company holds for its own use or for rental to others and which are expected to be used for more than one year.

Item	Depreciation method	Average useful life
Equipment	Straight line	3 to 5 years
Furniture and fixtures	Straight line	5 years
Leasehold improvements	Straight line	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.

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.

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Accounting Policies

1.3 Financial instruments

Classification

The company 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 reclassified 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.

Preference shares issued are classified as debt instruments.

Initial recognition and measurement

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

The company 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 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.

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Accounting Policies

1.3 Financial instruments (continued)

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 company's right to receive payment is established.

Interest income and expense is recognised on an effective yield basis.

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 company'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 company 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.

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Accounting Policies

1.3 Financial instruments (continued)

Impairment of financial assets

At each reporting date the company 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 from the company, 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.

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.

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Accounting Policies

1.3 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.

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

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.

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.

The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

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.

The Company does not apply hedge accounting to derivatives.

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Accounting Policies

1.3 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 Company's management has the positive intention and ability to hold to maturity. If the Company 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 company has the positive intention and ability to hold to maturity are classified as held to maturity.

1.4 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).

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.

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Accounting Policies

1.4 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, in 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.

1.5 Leases

The leases entered into by the Company 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.

1.6 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 Company 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.

1.7 Dividends

Dividends are recognised in the statement of comprehensive income in net trading gains when the entity's right to receive payment is established. Manufactured dividends are obligations created on borrowed equity positions and are recognised when the entity's obligation to make payment is established.

1.8 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.

Non-distributable reserves comprises paid up capital in relation to options expense.

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Accounting Policies

1.9 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 entity recognises an expense (and equity reserve) for its awards granted to employees. The awards are measured at their grant dates based on their fair value and for each Performance Share Units (PSU) the number expected to vest. This amount is recognised as an expense over the respective vesting periods. Performance hurdles attached to PSUs under the MEREP are not taken into account when determining the fair value of the options and PSUs at grant date. Instead, these vesting conditions are taken into account by adjusting the number of equity instruments expected to vest.

Profit share remuneration

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

1.10 Provisions and contingencies

Provisions are recognised when:

- the company 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
- 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.

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

As part of its trading activities, the Company 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 Company sells securities under an agreement to repurchase, and reverse repurchase transactions, where the Company purchases securities under an agreement to resell, are 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.

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Accounting Policies

1.11 Cash collateral on securities borrowed/lent and repurchase/reverse repurchase agreements (continued)

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 Company 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.

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
-----------------	------	------

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Amendment to IFRS 8: Operating Segments: Annual improvements project

The standard is amended to require disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics.

The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported.

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

The company has adopted the amendment for the first time in the 2016 financial statements.

The impact of the amendment is not material.

Amendment to IAS 16: Property, Plant and Equipment: Annual improvements project

The amendment adjusts the option to proportionately restate accumulated depreciation when an item of property, plant and equipment is revalued. Instead, the gross carrying amount is to be adjusted in a manner consistent with the revaluation of the carrying amount. The accumulated depreciation is then adjusted as the difference between the gross and net carrying amount.

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

The company has adopted the amendment for the first time in the 2016 financial statements.

The impact of the amendment is not material.

Amendment to IAS 24: Related Party Disclosures: Annual improvements project

The definition of a related party has been amended to include an entity, or any member of a group of which it is a part, which provides key management personnel services to the reporting entity or to the parent of the reporting entity ("management entity"). Disclosure is required of payments made to the management entity for these services but not of payments made by the management entity to its directors or employees.

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

The company has adopted the amendment for the first time in the 2016 financial statements.

The impact of the amendment is not material.

Amendment to IFRS 3: Business Combinations: Annual improvements project

The standard is amended to clarify that IFRS 3 does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.

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

The company has adopted the amendment for the first time in the 2016 financial statements.

The impact of the amendment is not material.

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
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2. New Standards and Interpretations (continued)

Amendment to IFRS 13: Fair Value Measurement: Annual improvements project

When IFRS 13 was published, paragraphs B5.4.12 of IFRS 9 and AG79 of IAS 39 were deleted as consequential amendments. This led to a concern that entities no longer had the ability to measure short-term receivables and payables at invoice amounts where the impact of not discounting is immaterial. The IASB has amended the basis for conclusions of IFRS 13 to clarify that it did not intend to remove the ability to measure short-term receivables and payables at invoice amounts in such cases.

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

The company has adopted the amendment for the first time in the 2016 financial statements.

The impact of the amendment is not material.

Amendment to IAS 40: Investment Property: Annual improvements project

The amendment requires an entity to determine whether the acquisition of investment property is the acquisition of an asset or a business combination, in which case the provisions of IFRS 3 Business Combinations applies.

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

The company has adopted the amendment for the first time in the 2016 financial statements.

The impact of the amendment is not material.

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
-----------------	------	------

2. New Standards and Interpretations (continued)

Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' on sale or contribution of assets

The postponement applies to changes introduced by the IASB in 2014 through narrow-scope amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures'. Those changes affect how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associate or joint venture in which it invests. The changes do not affect other aspects of how entities account for their investments in associates and joint ventures.

The reason for making the decision to postpone the effective date is that the IASB is planning a broader review that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Effective date: Postponed (initially 1 January 2016)

The company has adopted the amendment for the first time in the 2016 financial statements.

The impact of the amendment is not material.

Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' on applying the consolidation exemption

The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

Effective date: 1 January 2016

The company has adopted the amendment for the first time in the 2016 financial statements.

The impact of the amendment is not material.

Amendments to IAS 1, 'Presentation of financial statements' disclosure initiative

In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

Effective date: 1 January 2016

The company has adopted the amendment for the first time in the 2016 financial statements.

The impact of the amendment is not material.

Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and Amortisation

In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

Effective date: 1 January 2016.

The company has adopted the amendment for the first time in the 2016 financial statements.

The impact of the amendment is not material.

Amendments to IAS 27, 'Separate financial statements' on equity accounting

In this amendment the IASB has restored the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

Effective date: 1 January 2016

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand

2016

2015

2. New Standards and Interpretations (continued)

The company has adopted the amendment for the first time in the 2016 financial statements.

The impact of the amendment is not material.

Amendment to IAS 19 – 'Employee Benefits'

Discount rate: regional market issue - The amendment to IAS 19 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

Effective date: 1 January 2016

The company has adopted the amendment for the first time in the 2016 financial statements.

The impact of the amendment is not material.

2.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 April 2016 or later periods:

IFRS 9 (AC 146) Financial Instruments

This new standard is the result 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 as well as new hedging requirements. 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 and loss are to be subsequently measured 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 company 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.
- 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 new hedging provisions align hedge accounting more closely with the actual risk management approach.
- Certain non-derivative financial instruments are now allowed as hedging instruments.
- Additional exposures are allowed as hedged items. These exposures include risk components of non-financial items, net positions and layer components of items, aggregated exposures combining derivative and non-derivative exposures and equity instruments at fair value through other comprehensive income.
- The hedge effectiveness criteria have been amended, including the removal of the 80%-125% "bright line test" to qualify for hedge accounting.
- The concept of rebalancing has been introduced when the hedging relationship is ineffective because the hedge ratio is no longer appropriate. When rebalancing is required, and provided the risk management objective remains the same, the hedge ratio is adjusted rather than discontinuing the hedging relationship.
- Additional disclosure requirements have been introduced for hedging.

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand

2016

2015

2. New Standards and Interpretations (continued)

The effective date has not yet been established as the project is currently incomplete. The IASB has communicated that the effective date will not be before years beginning on or after 01 January 2018. IFRS 9 may be early adopted. If IFRS 9 is early adopted, the new hedging requirements may be excluded until the effective date.

The company expects to adopt the standard for the first time in the first annual financial period after the effective date.

It is unlikely that the standard will have a material impact on the Company's financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the construction of Real Estate; IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also includes extensive new disclosure requirements.

The effective date of the standard is 1 January 2018.

The company expects to adopt the standard for the first time in the 2018 financial statements.

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

IFRS 16 – Leases

After ten years of joint drafting by the IASB and FASB they decided that lessees should be required to recognise assets and liabilities arising from all leases (with limited exceptions) on the balance sheet. Lessor accounting has not substantially changed in the new standard.

The model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. In response to concerns expressed about the cost and complexity to apply the requirements to large volumes of small assets, the IASB decided not to require a lessee to recognise assets and liabilities for short-term leases (less than 12 months), and leases for which the underlying asset is of low value (such as laptops and office furniture).

A lessee measures lease liabilities at the present value of future lease payments. A lessee measures lease assets, initially at the same amount as lease liabilities, and also includes costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment. This approach will result in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed.

One of the implications of the new standard is that there will be a change to key financial ratios derived from a lessee's assets and liabilities (for example, leverage and performance ratios).

IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

The effective date of the amendment is for years beginning on or after 01 January 2019.

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
-----------------	------	------

2. New Standards and Interpretations (continued)

The company expects to adopt the standard for the first time in the first annual financial period after the effective date.

It is unlikely that the standard will have a material impact on the Company's financial statements.

Amendment to IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'

This is an amendment to the changes in methods of disposal.

Assets (or disposal groups) are generally disposed of either through sale or through distribution to owners. The amendment to IFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5.

The amendment also clarifies that changing the disposal method does not change the date of classification.

The effective date of the amendment is for years beginning on or after 01 January 2016

The company expects to adopt the standard for the first time in the first annual financial period after the effective date.

It is unlikely that the standard will have a material impact on the Company's financial statements

Amendment to IFRS 7 – 'Financial Instruments: Disclosures'

Applicability of the offsetting disclosures to condensed interim financial statements.

The amendment removes the phrase 'and interim periods within those annual periods' from paragraph 44R, clarifying that these IFRS 7 disclosures are not required in the condensed interim financial report. However, the Board noted that IAS 34 requires an entity to disclose an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period'. Therefore, if the IFRS 7 disclosures provide a significant update to the information reported in the most recent annual report, the Board would expect the disclosures to be included in the entity's condensed interim financial report.

Servicing contracts - The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required

The effective date of the amendment is for years beginning on or after 01 January 2016.

The company expects to adopt the standard for the first time in the first annual financial period after the effective date.

It is unlikely that the standard will have a material impact on the Company's financial statements.

Amendment to IAS 12 – Income taxes

The amendments were issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets.

The amendments clarify the existing guidance under IAS 12. They do not change the underlying principles for the recognition of deferred tax assets.

The effective date of the amendment is for years beginning on or after 01 January 2017.

The company expects to adopt the standard for the first time in the first annual financial period after the effective date.

It is unlikely that the standard will have a material impact on the Company's financial statements.

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
-----------------	------	------

2. New Standards and Interpretations (continued)

Amendment to IAS 7 – Cash flow statements

In January 2016, the International Accounting Standards Board (IASB) issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendment responds to requests from investors for information that helps them better understand changes in an entity's debt. The amendment will affect every entity preparing IFRS financial statements. However, the information required should be readily available. Preparers should consider how best to present the additional information to explain the changes in liabilities arising from financing activities.

The effective date of the amendment is for years beginning on or after 01 January 2017.

The company expects to adopt the standard for the first time in the first annual financial period after the effective date.

It is unlikely that the standard will have a material impact on the Company's financial statements.

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
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3. Property, plant and equipment

	2016			2015		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Furniture and fixtures	431,693	(415,944)	15,749	5,468,645	(5,443,642)	25,003
Leasehold improvements	25,473,148	(3,022,238)	22,450,910	15,544,530	(15,415,670)	128,860
Equipment	698,591	(234,489)	464,102	586,202	(427,787)	158,415
Total	26,603,432	(3,672,671)	22,930,761	21,599,377	(21,287,099)	312,278

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	25,003	-	(9,254)	15,749
Leasehold improvements	128,860	25,344,288	(3,022,238)	22,450,910
Equipment	158,415	472,687	(167,000)	464,102
	312,278	25,816,975	(3,198,492)	22,930,761

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	63,076	-	(38,073)	25,003
Leasehold improvements	-	128,860	-	128,860
Equipment	26,907	178,583	(47,075)	158,415
	89,983	307,443	(85,148)	312,278

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 held by the company:

Name of company	% ownership interest 2016	% ownership interest 2015	Carrying amount	Carrying amount
PSIC Finance 3 (RF) (Pty) Ltd	30%	30%	300	300
Oakmont Finance (RF) (Pty) Ltd	30%	30%	30	30
Bowood Investments (RF) (Pty) Ltd	30%	30%	30	30
Newmarket Capital (RF) (Pty) Ltd	30%	30%	30	30
Devon Finance (RF) (Pty) Ltd	30%	30%	30	30
			420	420

All the above companies are registered in South Africa.

PSIC Finance 3 (RF) (Pty) Ltd conducts the business of issuing cumulative redeemable preference shares and applying the proceeds to subscribe for cumulative redeemable preference shares.

The remaining four companies conduct the business of issuing of debentures and applying the proceeds to subscribe for debentures.

The net asset value and profit of the associates are insignificant to the Company's financial statements and thus disclosure of those figures have been deemed negligible.

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
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5. Loans to group companies

Due from related parties	461,374,544	103,697,424
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R306m (2015: R101m) relates to accrued interest on collateral. R150m (2015: Rnil) relates to a subordinated loan to Macquarie Equities South Africa (Pty) Ltd that bears interest at 1 month JIBAR +2.25% per annum and is repayable in February 2017. The balance comprises unsettled receivables which are unsecured, bear interest at commercial rates and have no defined repayment terms but are due and 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 and loss

Money Market instruments and funds	506,275,465	1,401,535,483
Term deposits managed on a fair value basis	3,328,041,641	3,213,374,672
Negotiable certificates of deposit	49,594,578	46,582,585
Unlisted investments	93,537,144	119,466,254
Government bonds	48,994,326	-
	<u>4,026,443,154</u>	<u>4,780,958,994</u>

Current assets

At fair value through profit or loss	4,026,443,154	4,780,958,994
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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 asset mentioned above.

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
-----------------	------	------

7. Deferred tax

Deferred tax asset

Temporary differences on tangible fixed assets	-	7,483
Temporary differences on bonus provision	1,205,488	4,092,472
Temporary differences on other provisions	1,531,807	1,725,139
Temporary differences on tax losses available for set off against future taxable income	37,485,497	13,998,981
	40,222,792	19,824,075

Reconciliation of deferred tax asset / (liability)

At beginning of year	19,824,075	28,696,630
(Decrease)/increase in tax losses available for set off against future taxable income	23,486,516	(7,392,140)
Originating temporary difference on tangible fixed assets	(7,483)	(26,472)
Originating temporary difference on bonus provision	(2,886,984)	907,852
Originating temporary differences on other provisions	(193,332)	(89,206)
Originating temporary difference on unrealised foreign exchange losses	-	(2,272,589)
	40,222,792	19,824,075

Recognition of deferred tax asset

Recoverability of deferred tax asset is based on management forecasts which are regularly updated and assessed.

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

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
8. Loans at amortised cost		
Non-current assets	-	672,271,334
Current assets	582,635,555	503,495,740
	582,635,555	1,175,767,074
Loans	541,540,666	502,339,235
Impairment of loans	(128,789,811)	-
Term deposits	169,884,700	673,427,839
	582,635,555	1,175,767,074

The loans earn income at rates linked to the SA prime lending rate and JIBAR and mature within 1 year. The fair value of loans held at amortised cost is R482,599,859 (2015: R476,136,431) calculated using a discounted cash flow model. These have been classified as Level 2 in the Fair Value Hierarchy.

Loans are impaired where the recoverable amount is lower than the carrying value. The recoverable amount is calculated using the fair value of the collateral.

The term deposits mature within 1 year and bear interest at an average rate of 8.785% (2015: 7.9%). The fair value of the term deposits held at amortised cost is R171,873,206 (2015: R680,760,895) calculated using a discounted cash flow model. These have been classified as Level 2 in the Fair Value Hierarchy.

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.

2016 - Derivatives held for trading

	Assets	Liabilities
OTC derivatives	92,695,612	(758,623)
Exchange traded equity futures	1,419,112,741	(1,418,041,005)
	1,511,808,353	(1,418,799,628)

2015 - Derivatives held for trading

	Assets	Liabilities
OTC derivatives	111,488,858	-
Exchange traded equity futures	794,207,605	(796,043,188)
	905,696,463	(796,043,188)

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.

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
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11. Collateral on securities borrowed (continued)

The related liability represents the fair value of securities that have been borrowed for which cash collateral has been pledged.

	2016 - Asset	2016 - Related Liability	2015 - Asset	2015 - Related Liability
Trading assets	1,056,367,421	(881,162,003)	5,521,354,532	(5,419,333,311)

Fair value approximates carrying value.

12. Loans from group companies

Non-current liabilities	1,921,620,746	1,308,280,139
Current liabilities	60,754,829	3,365,763,360
	1,982,375,575	4,674,043,499
At beginning of the year	4,674,043,499	4,117,273,872
Net settlement/(advances)	(2,691,667,924)	556,769,627
	1,982,375,575	4,674,043,499

All related party loans are unsecured and bear interest at commercial interest rates. R60 million (2015: R3.3 billion) is repayable within 30 days. R1.9 billion (2015: R1.3 billion) is repayable within 3 years while the balance is due and payable. The carrying amount approximates the fair value. Refer note 29 for related party disclosure.

13. Trade and other receivables

Trade receivables	5,399,210	8,017,948
Other receivables	3,731,193	73,998
Unsettled equity trades with JSE	583,571,893	622,178,974
	592,702,296	630,270,920

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 2016, trade and other receivables of R 18,537 (2015: R 57,298) were impaired and provided for.

The ageing of these receivables is as follows:

1 to 12 months	18,537	57,298
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14. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances and other cash equivalents	65,947,989	91,087,269
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Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
15. Share capital		
Number of shares authorised		
328,000 Ordinary shares of R1 each	328,000	328,000
190,000,000 Class "B" Ordinary shares	190,000,000	-
50,000 no par value class "A" redeemable cumulative preference shares	48,875	50,000
100 no par value class "B" redeemable cumulative preference shares	100	100
12,587 no par value class "C" redeemable cumulative preference shares	12,587	12,587
75 no par value class "D" redeemable cumulative preference shares	-	75
100 no par value class "E" redeemable cumulative preference shares	100	-
310,100,000 no par value unclassified shares under s36(1)(c) of the Act	310,100,000	100,000
337,238 no par value unclassified shares under s36(1)(d) of the Act	337,238	337,368
	500,826,900	828,130
Number of shares issued:		
327,100 Ordinary shares of R1 each	327,100	327,100
190,000,000 Class "B" Ordinary shares	190,000,000	-
125 no par value class "A" redeemable cumulative preference shares	-	125
96 no par value class "B" redeemable cumulative preference shares	96	96
12,587 no par value class "C" redeemable cumulative preference shares	12,587	12,587
75 no par value class "D" redeemable cumulative preference shares	-	75
100 no par value class "E" redeemable cumulative preference shares	100	-
	190,339,883	339,983
Issued - Rand		
Ordinary	327,100	327,100
190,000,000 Class "B" Ordinary shares	190,000,000	-
	190,327,100	327,100

During the year the Company authorised and issued 190,000,000 Class "B" Ordinary shares for R190,000,000.

All issued shares are fully paid.

Refer note 17 and 18 for preference shares issued.

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
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16. Employee equity participation

Macquarie Group Employee Retained Equity Plan

Macquarie Group Limited (MGL) continues to operate 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.

	2016 - No. of RSU Awards	2015 - No. of RSU Awards
RSUs in issue at the beginning of the financial year	28,676	40,004
Granted during year	3,053	2,247
Vested RSUs withdrawn from MEREP during the year	(13,410)	(13,575)
Forfeited during the year	(6,801)	-
RSUs in issue at the end of the year	11,518	28,676

The weighted average fair value of the RSU Awards granted during the financial year was R923.29 or AU\$81.70 (2015: R577.49 or AU\$59.80).

The awards are measured at their grant dates based on their fair value and for each PSU 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 prepaid asset and MGL is reimbursed in advance.

RSUs have been granted in the current year in respect of 2015. The fair value of each of these grants is estimated using Macquarie's share price on the date of grant.

While RSUs/DSUs, and PSUs for Executive Committee members, in respect of the current year's performance will be granted in the following financial year, 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 Macquarie's share price as at 31 March 2016 (and for PSUs, also incorporates an interest rate to maturity of 2.39 percent; expected vest dates of PSU: 1 July 2019 and 1 July 2020; and a dividend yield of 4.57 percent per annum) and the number of equity instruments expected to vest. In the following financial year, MGL will adjust the accumulated expense recognised for the final determination of fair value for each RSU, DSU and PSU when granted, and will use this valuation for recognising the expense over the remaining vesting period.

MGL revises its estimates of the number of awards (including those delivered through MEREP) that are expected to vest annually. It recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

For the year ended 31 March 2016, compensation expense relating to the MEREP totaled R0.176m or AU\$15,554 (2015: R2.7m or AU\$0.28m).

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).

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
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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
- 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

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.

For Retained Profit Share Awards representing 2015 retention, the allocation price was the weighted average price of the shares acquired for the 2015 purchase period, which was 18 May 2015 to 6 July 2015 inclusive (excluding the period from 26 May to 11 June 2015). That price was calculated to be AU\$80.68 (2014 retention: AU\$59.56).

17. Financial liabilities at fair value through profit or loss

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

Debt issued at fair value	2,042,708,598	2,085,843,736
Equity linked notes	164,795,125	196,510,298
	2,207,503,723	2,282,354,034

18. Issued debt

Non-current liabilities	-	799,189,533
Current liabilities	776,066,362	512,468,327
	776,066,362	1,311,657,860

	2016 Interest Rate	2015 Interest Rate		
Listed debt - held at amortised cost	8.57%	7.71%	171,218,403	876,854,188
Preference shares issued - held at amortised cost	7.44%	6.39%	604,847,959	434,803,672
			776,066,362	1,311,657,860

The preference shares were issued at par, mature within 1 year and pay dividends at a rate linked to Prime and JIBAR.

The fair value of debt issued held at amortised cost is R804,670,451 (2015 - R1,324,637,333) calculated using a discounted cashflow model. These have been classified as Level 2 in the Fair Value Hierarchy.

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
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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 represents the fair value of securities that have been lent for which cash collateral has been received.

	2016 - Liability	2016 - Related Asset	2015 - Liability	2015 - Related Asset
Trading liabilities	(921,850,000)	881,609,298	(1,913,652,660)	2,344,842,599

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. Fair value approximates carrying value.

20. Trade portfolio liabilities

Trading liabilities represent the quoted equity securities that the Company 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	7,922,625	9,159,639
Unsettled equity trades with JSE	691,710,603	1,774,971,267
VAT	3,049,565	2,570,767
Fees payable	590,412	490,686
Interest Withholding Tax payable	33,583	3,014,388
Accrued leave pay	1,310,158	1,261,742
Accrued bonus	4,305,315	14,615,971
Accrued expenses	7,313,993	6,481,660
	716,236,254	1,812,566,120

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

22. Interest and similar income

Interest income on deposits	431,215,593	428,040,947
Interest income on collateral pledged	264,696,464	391,738,838
	695,912,057	819,779,785

23. Interest expense and similar charges

Interest expense		
Loans from financial institutions	53,962,180	58,796,364
Interest on intercompany loans	172,901,205	157,377,438
Interest expense on collateral received	45,256,319	22,497,799
Interest on repurchase transactions	195,659,589	320,441,725
Interest on listed debt	159,592,067	229,424,792
	627,371,360	788,538,118

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
24. Operating (loss)/profit		
Operating profit (loss) for the year is stated after accounting for the following:		
Included in trading income/(losses) are the following:		
Net dividends manufactured on trading securities	(572,272,668)	(1,219,844,690)
Gains on instruments held for trading	580,202,716	1,463,566,842
(Losses)/gains on instruments at fair value through profit or loss	(48,299,267)	(65,395,347)
Other trading expenses	(97,651,475)	(12,719,699)
	(138,020,694)	165,607,106

Operating lease for premises	4,619,580	2,350,798
Depreciation on property, plant and equipment	3,198,492	85,148
Employee costs	52,126,178	62,035,661
Administration charges	79,334,959	31,762,377
Auditors remuneration	621,224	1,522,702
Communication costs	5,251,001	3,823,509
Professional fees	1,284,427	11,835,680
IT Costs	4,050,889	1,930,905
Non recoverable VAT	6,545,393	6,491,700
Other	10,050,915	11,566,788
Total operating expenses	167,083,058	133,405,268

25. Taxation

Major components of the tax (income)/expense

Current

Local income tax - current period	-	-
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Deferred

Deferred tax	(20,398,716)	8,872,555
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Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

Applicable tax rate	28 %	28 %
Effect of exempt income	2 %	(22)%
Effect of non-deductible losses	(19)%	- %
Effect of non-deductible expenses	(2)%	11 %
Effect of capital gain	- %	(3)%
Effective rate as per Statement of Comprehensive Income	9 %	14 %

Exempt income comprises dividends received and income that will be received as dividends. Non-deductible expenses comprises those costs related to the non-taxable dividends.

No provision has been made for 2016 tax as the company has no taxable income. The estimated tax loss available for set off against future taxable income is R 133,876,776 (2015: R 56,998,464).

26. Auditors' remuneration

Fees	606,224	1,386,037
Tax and other services	15,000	136,665
	621,224	1,522,702

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
27. Cash generated from (utilised by) operations		
Profit (loss) before taxation	(236,563,055)	63,443,820
Adjustments for:		
Depreciation and amortisation	3,198,492	85,148
Unrealised loss on foreign exchange	6,613,143	2,310,751
Net dividends manufactured on trading securities	572,272,668	1,219,844,690
Interest and similar income	(695,912,057)	(819,779,785)
Interest expense and similar charges	627,371,360	788,538,118
Employee share options	(130,452)	-
Impairment of loans	128,789,811	-
Changes in working capital:		
Movements in loan at amortised cost	504,241,750	(181,667,494)
Financial assets at fair value	750,259,315	(34,443,707)
Trade and other receivables	37,568,624	(534,605,085)
Loans from group companies	(2,698,150,615)	554,458,876
Loans to group companies	(357,677,120)	2,964,742
Trade portfolio assets	(439,155,716)	66,767,738
Derivative financial instruments	(9,348,622)	(225,057,086)
Collateral on securities borrowed	4,464,987,111	6,856,365,044
Trade and other payables	(1,096,329,866)	1,564,621,814
Financial liabilities at fair value	(58,157,003)	(1,815,987,656)
Collateral received on securities lent	(991,802,660)	(6,969,184,261)
Trade portfolio liabilities	364,269,710	163,986,415
	876,344,818	702,662,082

28. Tax refunded

Balance at beginning of the year	-	2,416,589
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Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand 2016 2015

29. Related parties

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

Related party transactions

Related party transactions comprise of inter-group charges for services provided and trading activities that comprise equity trading and financing activities. Intercompany funding relates to interest and foreign exchange movements on intercompany balances.

2016	Relationship	Inter-group charges R	Trading activities R	Intercompany funding R	Balance R
Delta1 Finance Trust	Other	-	153,358,434	-	(1,921,620,746)
International Life Solutions (Pty) Ltd	Other	(1,469,267)	-	-	124,314
Macquarie Africa (Pty) Ltd	Other	(7,733,117)	-	(104,704)	115,147
Macquarie Bank Ltd	Other	3,288,697	(498,840,464)	(3,898,684)	306,009,315
Macquarie Corporate Holdings Pty Limited	Other	(9,389)	-	2,408,051	(49,418,383)
Macquarie EMG Holdings Pty Ltd	Parent	(16,567,927)	(874,801,831)	671,674	3,565,859
Macquarie Equities SA (Pty) Ltd	Other	(546,990)	(2,905,476)	-	150,008,645
Macquarie Financial Holdings Pty Ltd	Other	10,138,149	(14)	-	(8,271,934)
Macquarie Global Services (USA) LLC	Other	588,802	-	-	(588,802)
Macquarie Group Ltd	Ultimate parent	748	-	-	1,501,012
Macquarie Group Services Australia Pty Ltd	Other	80,371,929	-	-	(1,987,377)
Macquarie Holdings (USA) Inc	Other	1,036,883	-	-	(228,127)
Macquarie Int Investments Ltd	Other	-	-	(20,692,497)	-
Macquarie Offshore Services Pty Ltd		1,540,383	-	-	-
Macquarie Services (Hong Kong) Ltd	Other	11,878,043	-	-	-
Other Group Entities with balances <R200,000	Other	(154,519)	(5,091)	-	(214,997)
		82,362,425	(1,223,194,442)	(21,616,160)	(1,521,006,074)

2015	Relationship	Inter-group charges R	Trading activities R	Intercompany funding R	Balance R
Delta1 Finance Trust	Other	-	78,194,603	-	(1,308,280,139)
International Life Solutions (Pty) Ltd	Other	(845,802)	-	-	120,656
Macquarie Africa (Pty) Ltd	Other	(5,815,514)	-	-	1,230,922
Macquarie Bank Ltd	Other	5,069,543	(396,177,644)	(3,121,520)	100,653,311
Macquarie Corporate Holdings Pty Ltd	Other	(98,679)	-	4,481,520	(60,648,915)
Macquarie EMG Holdings (Pty) Ltd	Parent	(18,314,971)	2,345,706,480	215,479	(3,301,867,299)
Macquarie Financial Holdings Ltd	Other	8,151,869	14,329	-	(2,019,249)
Macquarie Holdings SA (Pty) Ltd	Other	1,089,907	-	-	-
Macquarie Equities SA (Pty) Ltd	Other	3,153,018	-	-	(330,000)
Macquarie Group Ltd	Ultimate parent	(61,264)	-	-	1,687,562
Macquarie Group Services Australia Pty Ltd	Other	46,787,189	-	-	(895,706)
Macquarie Holdings (USA) Inc	Other	867,196	-	-	(100,972)
Macquarie Int Investments Ltd	Other	-	-	(52,516,571)	-
Macquarie Services (Hong Kong) Ltd	Other	814,919	-	-	-
Other Group Entities with balances <R200,000	Other	812,617	(2,226)	-	(226,248)
		41,610,028	2,027,735,542	(50,941,092)	(4,570,676,077)

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
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29. Related parties (continued)

Companies classified as "Other" comprise other Macquarie Group companies and Joint Ventures.

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

30. Interests in other entities

The Company engages in various transactions with Structured Entities (SE's). SE's 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, SE's do not have a range of operating and finance activities for which substantive decision-making is required continuously. The Company has interests in SE's 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 Company or its client. The assets are normally pledged as collateral to the lenders.

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

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

The Company's interests in unconsolidated SE's 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 Company to the risks of the unconsolidated SE. The Company does not have an interest where it: (i) is a counterparty to plain vanilla derivatives 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 SE's; 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 Company's interests in unconsolidated SE's as at 31 March 2016:

Carrying value of Asset-backed financing assets

Derivative assets	36,110,345	102,964,099
Financial assets at fair value through profit or loss	294,729,843	314,714,210
Trade and other receivables	-	23,599,677
Loan assets held at amortised cost	212,219,321	301,512,728
Total carrying value of assets	543,059,509	742,790,714
Maximum exposure to loss	543,059,509	742,790,714

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 SE's totaling R1.6 billion (2015: R2.3 billion), and the potential losses borne by others whose interests rank lower than the Company'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 of the SE is based on the most current publicly available information to the Company.

In addition to the above structured entities include investments into the Blue Ink funds as disclosed in Note 35 and investments in money market funds. These money market funds are regulated under the the Collective Investment Schemes Control Act (No. 45 of 2002). The funds are classified as unconsolidated structured entities under IFRS and are disclosed in financial assets at fair value through profit or loss.

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
-----------------	------	------

30. Interests in other entities (continued)

2016	% holding	Holding	Assets under management
Absa Money Market Fund (Institutional Class)	<0.01%	679,616	55,680,000,000
Nedgroup Investments Money Market Fund (Class C2)	4.0%	503,333,212	12,559,000,000
STANLIB Corporate Money Market Fund (Class B4)	<0.01%	2,140,865	27,355,230,000

2015	% holding	Holding	Assets under management
Absa Money Market Fund (Institutional Class)	1.1%	545,874,556	47,785,617,261
Nedgroup Investments Money Market Fund (Class C2)	6.3%	753,270,715	11,965,034,176
STANLIB Corporate Money Market Fund (Class B4)	0.4%	102,390,213	25,233,704,615

31. Directors' emoluments

Executive

2016

For services as directors	Emoluments 21,444,715
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2015

For services as directors	Emoluments 18,734,352
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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 38.

Financial Statements for the year ended 31 March 2016

45

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

32. Categories of financial instruments (continued)

Equity and Liabilities

Equity

Equity Attributable to Equity Holders of Parent:										
Share capital	15	-	-	-	-	-	-	-	190,327,100	190,327,100
Reserves		-	-	-	-	-	-	-	4,299,502	4,299,502
Retained income		-	-	-	-	-	-	-	(87,103,439)	(87,103,439)
		-	-	-	-	-	-	-	107,523,163	107,523,163
Total Equity		-	-	-	-	-	-	-	107,523,163	107,523,163

Liabilities

Non-Current Liabilities										
Loans from group companies	12	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	1,921,620,746	1,921,620,746

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

	Note(s)	Financial assets at fair value through profit or loss	Debt instruments at amortised cost	Equity instruments at cost less impairment	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Leases	Equity and non financial assets and liabilities	Total
32. Categories of financial instruments (continued)									
Current Liabilities									
Loans from group companies	12	-	-	-	-	60,754,829	-	-	60,754,829
Derivative financial instruments	10	-	-	-	1,418,799,628	-	-	-	1,418,799,628
Financial liabilities at fair value through profit and loss	17	-	-	-	2,207,503,723	-	-	-	2,207,503,723
Issued debt	18	-	-	-	-	776,066,362	-	-	776,066,362
Trade and other payables	21	-	-	-	-	716,236,254	-	-	716,236,254
Collateral on securities lent	19	-	-	-	-	921,850,000	-	-	921,850,000
Trade portfolio liabilities	20	-	-	-	881,259,570	-	-	-	881,259,570
Total Liabilities		-	-	-	4,507,562,921	2,474,907,445	-	-	6,982,470,366
Total Equity and Liabilities		-	-	-	4,507,562,921	4,396,528,191	-	-	8,904,091,112
		-	-	-	4,507,562,921	4,396,528,191	-	107,523,163	9,011,614,275

Categories of financial instruments - 2015

Assets

Non-Current Assets									
Property, plant and equipment	3	-	-	-	-	-	-	312,278	312,278
Investments in associates	4	-	-	420	-	-	-	-	420
Deferred tax	7	-	-	-	-	-	-	19,824,075	19,824,075
Loans at amortised cost	8	-	672,271,334	-	-	-	-	-	672,271,334
		-	672,271,334	420	-	-	-	20,136,353	692,408,107

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

	Note(s)	Financial assets at fair value through profit or loss	Debt instruments at amortised cost	Equity instruments at cost less impairment	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Leases	Equity and non financial assets and liabilities	Total
32. Categories of financial instruments (continued)									
Current Assets									
Loans to group companies	5	-	103,697,424	-	-	-	-	-	103,697,424
Financial assets at fair value through profit and loss	6	4,780,958,994	-	-	-	-	-	-	4,780,958,994
Loans at amortised cost	8	-	503,495,740	-	-	-	-	-	503,495,740
Trade and other receivables	13	-	630,270,920	-	-	-	-	-	630,270,920
Trade portfolio assets	9	212,025,274	-	-	-	-	-	-	212,025,274
Derivative financial instruments	10	905,696,463	-	-	-	-	-	-	905,696,463
Collateral on securities borrowed	11	-	5,521,354,532	-	-	-	-	-	5,521,354,532
Cash and cash equivalents	14	-	91,087,269	-	-	-	-	-	91,087,269
		5,898,680,731	6,849,905,885	-	-	-	-	-	12,748,586,616
Total Assets		5,898,680,731	7,522,177,219	420	-	-	-	20,136,353	13,440,994,723
Equity and Liabilities									
Equity									
Equity Attributable to Equity Holders of Parent:									
Share capital	15	-	-	-	-	-	-	327,100	327,100
Reserves		-	-	-	-	-	-	4,299,502	4,299,502
Retained income		-	-	-	-	-	-	129,060,900	129,060,900
		-	-	-	-	-	-	133,687,502	133,687,502
Total Equity		-	-	-	-	-	-	133,687,502	133,687,502

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

	Note(s)	Financial assets at fair value through profit or loss	Debt instruments at amortised cost	Equity instruments at cost less impairment	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Leases	Equity and non financial assets and liabilities	Total
32. Categories of financial instruments (continued)									
Liabilities									
Non-Current Liabilities									
Loans from group companies	12	-	-	-	-	1,308,280,139	-	-	1,308,280,139
Issued debt	18	-	-	-	-	799,189,533	-	-	799,189,533
		-	-	-	-	2,107,469,672	-	-	2,107,469,672
Current Liabilities									
Loans from group companies	12	-	-	-	-	3,365,763,360	-	-	3,365,763,360
Derivative financial instruments	10	-	-	-	796,043,188	-	-	-	796,043,188
Financial liabilities at fair value through profit and loss	17	-	-	-	-	2,282,354,034	-	-	2,282,354,034
Issued debt	18	-	-	-	-	512,468,327	-	-	512,468,327
Trade and other payables	21	-	-	-	-	1,812,566,120	-	-	1,812,566,120
Collateral on securities lent	19	-	-	-	-	1,913,652,660	-	-	1,913,652,660
Trade portfolio liabilities	20	-	-	-	516,989,860	-	-	-	516,989,860
		-	-	-	1,313,033,048	9,886,804,501	-	-	11,199,837,549
Total Liabilities		-	-	-	1,313,033,048	11,994,274,173	-	-	13,307,307,221
Total Equity and Liabilities		-	-	-	1,313,033,048	11,994,274,173	-	133,687,502	13,440,994,723

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand

2016

2015

33. Risk management

The risks which the Macquarie 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 MGL's businesses. The main risks faced by MGL 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 MGL, reporting directly to the Managing Director of MGL and the Board of MGL. 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 Macquarie Group's objectives when managing capital are to safeguard the Macquarie Group's ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Macquarie Group consists of debt, which includes Redeemable Preference Shares disclosed in note 17 and 18 and equity as disclosed in the Statement of Financial Position.

In order to maintain or adjust the capital structure, the Macquarie Group may adjust the amount of dividends paid to the 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, for supervisory purposes. The required information is filed with the JSE on a monthly basis.

JSE Capital requirements include a Fixed Expenditure Requirement, being the higher of 13 weeks fixed expenditure or R400,000 and Adjusted Liquid Capital Requirement, being liquid capital which complies with the minimum requirements calculated in accordance with the JSE Directive DC2, sufficient to meet its base requirement and its risk requirement.

The Company has complied with all externally imposed capital requirements during the period.

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

The table below reflects the Company's capital:

Share capital	190,327,100	327,100
Reserves	4,299,502	4,299,502
Retained income	(87,103,439)	129,060,900
Redeemable preference shares	721,000,000	721,000,000
	828,523,163	854,687,502

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
-----------------	------	------

33. Risk management (continued)

Financial risk management

The Macquarie 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 Macquarie Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Macquarie Group's financial performance. The Macquarie Group uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (Macquarie Group treasury) under policies approved by the Macquarie Group board. Macquarie Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Macquarie Group's operating units. The Macquarie Group 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.

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
-----------------	------	------

33. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Company 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 Company'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.
- 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.

Sources of liquidity include short term liquid assets, raising short term debt, uncommitted money market lines and cross border borrowing from Macquarie Group entities.

Contractual undiscounted cash flows

The table below summarises the maturity profile of the Company'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.

2016	At Call	3 months or less	3 to 12 months	1 to 5 years	Over 5 years
Trade portfolio liabilities	-	881,259,570	-	-	-
Collateral on securities lent	-	921,850,000	-	-	-
Debt issued at amortised cost	-	18,747,240	465,679,906	372,372,235	-
Derivative financial instruments	-	1,328,596,216	89,926,218	348,682	-
Financial liabilities at fair value through profit or loss	-	773,756,339	1,088,118,143	437,392,692	-
Intercompany	60,754,829	-	953,443,230	1,204,144,376	-
Other liabilities	-	711,267,449	1,411,801	4,267,866	-
	60,754,829	4,635,476,814	2,598,579,298	2,018,525,851	-

2015	At Call	3 months or less	3 to 12 months	1 to 5 years	Over 5 years
Trade portfolio liabilities	-	516,989,860	-	-	-
Collateral on securities lent	-	1,913,652,660	-	-	-
Debt issued at amortised cost	-	522,528,549	42,694,173	846,449,738	-
Derivative financial instruments	-	789,906,053	6,335,887	-	-
Financial liabilities at fair value through profit or loss	-	943,012,032	910,283,510	531,170,459	-
Intercompany	63,896,063	3,301,867,299	87,895,803	1,404,582,647	-
Other liabilities	-	1,812,566,120	-	-	-
	63,896,063	9,800,522,573	1,047,209,373	2,782,202,844	-

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
-----------------	------	------

33. Risk management (continued)

Interest rate risk

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

The Company 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	2016 - Movement in interest rate	2016 - Sensitivity of profit before tax	2015 - Movement in interest rate	2015 - Sensitivity of profit before tax
South African Rand	+50 Bps	741,791	+50 Bps	955,980
South African Rand	- 50 Bps	(741,791)	- 50 Bps	(955,980)

Credit risk

Credit risk is defined as the risk of a counterparty failing to complete its contractual obligations when they fall due. The consequent loss is either the amount of the loan not paid back, or the loss incurred in replicating a trading contract with a new counterparty.

The responsibility for approval of credit exposures is delegated to specific individuals by the Macquarie Group Board. Credit risk analysis is focused on ensuring that risks have been fully identified and that the downside risk is properly understood and acceptable. After this analysis is undertaken, limits are set for an acceptable level of potential exposure. All wholesale limits and ratings are reviewed at least once a year, or more frequently if necessary.

All credit exposures are monitored regularly against limits.

Credit exposures for loans are evaluated as either the full current face value or, for distressed debt, the acquisition cost when acquired in the secondary market. Exposures for derivatives depend on potential future asset prices. To mitigate credit risk, the Group makes use of margining and other forms of collateral or credit enhancement techniques where appropriate.

All wholesale exposures are allocated to an internal Macquarie Group rating ("Macquarie rating") on a scale that broadly corresponds to Standard & Poor's and Moody's Investor Services credit ratings. Each Macquarie rating maps to a Probability of Default estimate.

All wholesale counterparties and certain individual facilities are assigned a Loss Given Default estimate reflecting the estimated economic loss in the event of default occurring.

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

Credit Rating	Internal Rating	External Rating
Investment Grade	MQ1 to MQ8	AAA to BBB
Below Investment Grade	MQ9 to MQ16	BB+ to C
Default	MQ99	Default

All loan assets are subject to recurring review and assessment for possible impairment. Where there is a deteriorating credit risk profile, the exposures are monitored on a monthly basis through the CreditWatch reports. The business remains responsible for the management of the counterparty and of the risk position, but RMG oversight is increased to ensure that positions are managed for optimal outcomes. When counterparties default, RMG and the business work together to resolve the issues and ensure provisioning is adequate.

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

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
-----------------	------	------

33. Risk management (continued)

The Macquarie Group has a country risk framework which covers the assessment of country risk and the approval of country risk limits. Where appropriate the country risk is covered by political risk insurance.

The balances disclosed in the credit risk tables below exclude financial assets that are subject to risks other than credit risk, such as equity investments, commodities, interests in associates and joint ventures or bank notes and coins.

Collateral and credit enhancements held

Cash and cash equivalents

No collateral is held in relation to cash and cash equivalents. These exposures are monitored daily per counterparty against internally approved risk limits.

Loan assets held at amortised cost

Macquarie lends to clients for investment and financing purposes. Where Macquarie lends for investment, Macquarie holds the investment as collateral. Of the loans held at amortised cost, R212m (2015: R301m) is fully collateralised.

Other financial assets at fair value through profit or loss

Included in financial assets designated at fair value are term deposits of R1,106m (2015: R920m) which are supported by liabilities of R1,113m (2015: R911m) with limited recourse. Therefore the Company is not exposed to the credit risk of these assets.

Derivative financial instruments

Derivatives may be traded on an exchange (exchange traded) or they may be privately negotiated contracts, which are usually referred to as Over The Counter (OTC) derivatives.

Exchange traded contracts have reduced credit risk as the counterparty is a clearing house that is responsible for risk managing their members to ensure the clearing house has adequate resources to fulfil its obligations when they become due. Members are required to provide initial margins in accordance with the exchange rules in the form of cash or securities, and provide daily variation margins in cash to cover changes in market values.

The Company has exchange traded derivatives with positive replacement values (and for which counterparties would have had to place margin) as at 31 March 2016 of R1,419m (2015: R794m). In addition, the Company has placed margins on proprietary positions with exchanges, the balance at 31 March 2016 being R51m (2015: R83m), which is recorded in Cash and cash equivalents.

For OTC derivative contracts, the Company often has master netting agreements (usually ISDA Master Agreements) with certain counterparties to manage the credit risk. The credit risk associated with positive replacement value contracts is reduced by master netting arrangements that in an event of default requires balances with a particular counterparty covered by the agreement (eg derivatives and cash margins) to be terminated and settled on a net basis. The Company also often executes a Credit Support Annex in conjunction with a master netting agreement, which facilitates the transfer of margin between parties during the term of arrangements, to mitigate counterparty risk arising from changes in market values of the derivatives.

Trade and other receivables

Other assets include R584m (2015: R622m) of unsettled equity trades which are traded on exchange. They have reduced credit risk as our counterparty is a clearing house responsible for settling the balances.

Collateral on securities borrowed

Securities borrowed are fully collateralised with highly liquid securities as they require collateral to be in excess of the loaned amount. The Company has credit exposure relative to excess collateral placed relative to the underlying securities borrowed.

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand	2016	2015		
33. Risk management (continued)				
2016	Investment grade	Below investment grade	Past due or individually impaired	Total
Cash and cash equivalents	6,416,785	59,531,204	-	65,947,989
Collateral on securities borrowed	971,367,421	85,000,000	-	1,056,367,421
Financial assets designated at fair value	3,341,695,252	684,747,902	-	4,026,443,154
Loans at amortised cost	200,531,492	382,104,063	-	582,635,555
Derivative financial instruments	1,419,112,741	92,695,612	-	1,511,808,353
Trade and other receivables	44,321,261	548,381,035	-	592,702,296
Intercompany	461,374,544	-	-	461,374,544
	6,444,819,496	1,852,459,816	-	8,297,279,312
2015	Investment grade	Below investment grade	Past due or individually impaired	Total
Cash and cash equivalents	5,656,006	85,431,263	-	91,087,269
Collateral on securities borrowed	5,423,524,532	97,830,000	-	5,521,354,532
Financial assets designated at fair value	4,335,910,410	445,048,584	-	4,780,958,994
Loans at amortised cost	874,245,515	301,521,559	-	1,175,767,074
Derivative financial instruments	794,207,605	111,488,858	-	905,696,463
Trade and other receivables	630,196,921	73,999	-	630,270,920
Intercompany	103,697,424	-	-	103,697,424
	12,167,438,413	1,041,394,263	-	13,208,832,676

The mapping of external credit ratings are in line with those used by the Macquarie Group. Where appropriate, credit mitigants are in place including collateral, security structures and economic hedging.

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

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
-----------------	------	------

33. Risk management (continued)

Foreign exchange risk

Foreign currency exposures arise from related party cost recoveries. No hedges have been entered to cover this risk.

Management monitors the exposure and minimises the risk through regular settlement of inter-group balances. All foreign exchange exposures are reviewed by management on a monthly basis.

The table below indicates the foreign currency markets to which the Company had significant exposure at 31 March on its intercompany assets.

Foreign currency exposure at the end of the reporting period

Foreign exchange	Movement in rate	2016 - Sensitivity of profit before tax	2015 - Sensitivity of profit before tax
AUD	+10%	(7,047,917)	75,646
EUR	+10%	(2,435)	(16)
GBP	+10%	(1,106,276)	104,459
HKD	+10%	(486,839)	(25,131)
USD	+10%	(3,662,796)	(10,794)
AUD	-10%	7,047,917	(75,646)
EUR	-10%	2,435	16
GBP	-10%	1,106,276	(104,459)
HKD	-10%	488,839	25,131
USD	-10%	3,662,796	10,794

Market risk

Market risk is the exposure to adverse changes in the value of the Company's trading portfolios as a result of changes in market prices or volatility. The Company 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. All equity positions that are held by the Company at year end are listed on the JSE's Main Exchange;

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

Equity Price Risk

The table below indicates the equity markets to which the Company had significant exposure at year end on its trading investment portfolio:

	Movement in equity price - %		Sensitivity of profit before tax	
	2016	2015	2016	2015
Equity price risk				
Listed and unlisted securities - South Africa	10%	10%	4,913,152	10,123,264
Listed and unlisted securities - South Africa	-10%	-10%	(4,913,152)	(10,123,264)

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
-----------------	------	------

34. 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.

The collateral is measured at fair value. These instruments are subject to master netting arrangements.

Collateral pledged	1,867,558,644	1,096,033,866
Liability related to collateral pledged	(1,766,981,793)	(991,783,080)
Collateral received	(266,171,905)	(305,873,840)
Asset related to collateral received	243,920,240	228,591,634
	78,325,186	26,968,580

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
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35. Valuation of financial instruments

The Company 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:

2016	Level 1	Level 2	Level 3	Total
Trade portfolio assets	651,180,990	-	-	651,180,990
Derivative financial instruments	1,419,112,741	52,733,805	39,961,807	1,511,808,353
Financial assets at fair value through profit or loss	-	3,932,906,010	93,537,144	4,026,443,154
	2,070,293,731	3,985,639,815	133,498,951	6,189,432,497

Trade portfolio liabilities	(881,259,570)	-	-	(881,259,570)
Derivative financial instruments	(1,418,041,005)	(758,623)	-	(1,418,799,628)
Financial liabilities at fair value through profit or loss	-	(2,108,497,770)	(99,005,953)	(2,207,503,723)
	(2,299,300,575)	(2,109,256,393)	(99,005,953)	(4,507,562,921)

2015	Level 1	Level 2	Level 3	Total
Trade portfolio assets	212,025,274	-	-	212,025,274
Derivative financial instruments	794,207,606	85,696,681	25,792,176	905,696,463
Financial assets at fair value through profit or loss	-	4,661,492,741	119,466,253	4,780,958,994
	1,006,232,880	4,747,189,422	145,258,429	5,898,680,731

Trade portfolio liabilities	(516,989,740)	-	-	(516,989,740)
Derivative financial instruments	(796,043,188)	-	-	(796,043,188)
Financial liabilities at fair value through profit or loss	-	(2,177,248,687)	(105,105,347)	(2,282,354,034)
	(1,313,032,928)	(2,177,248,687)	(105,105,347)	(3,595,386,962)

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

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand

2016

2015

35. Valuation of financial instruments (continued)

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

2016

	Derivative Financial Instruments	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss
Opening balance	25,792,175	119,466,253	105,105,347
Transfers from Level 2	13,728,067	-	-
Disposals	-	(21,500,000)	-
Total gains and losses in profit or loss	441,565	(4,429,109)	(6,099,394)
	39,961,807	93,537,144	99,005,953

2015

	Derivative Financial Instruments	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss
Opening balance	-	104,401,607	94,648,537
Transfers from Level 2	12,937,488	-	-
Purchases	10,298,291	-	-
Total gains and losses in profit or loss	2,556,396	15,064,646	10,456,810
	25,792,175	119,466,253	105,105,347

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 in to Level 3 of the fair value hierarchy. This is due to the unobservable input driving more than 20% of the valuation. Unobservable inputs for derivative instruments include dividends and volatilities, while for financial instruments at fair value through profit and loss the fund prices are unobservable due to market data not being available.

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.

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 level 3 assets are sensitive to dividends and equity price risk as these are the most unobservable inputs. The sensitivity to these inputs is shown in the following table.

Future dividends are estimated using data from multiple independent market data providers, with growth based on historic growth rates.

Sensitivity of Level 3 assets

	Change in variable	2016 - Sensitivity of profit before tax	2015 - Sensitivity of profit before tax
Derivative financial instruments	20%	(4,005,007)	12,356,353
Financial assets at fair value through profit or loss	10%	9,353,714	11,946,625
Financial liabilities at fair value through profit or loss	10%	(8,878,670)	(12,019,140)
Derivative financial instruments	-20%	4,462,437	(14,020,443)
Financial assets at fair value through profit or loss	-10%	(9,353,714)	(11,946,625)
Financial liabilities at fair value through profit or loss	-10%	8,878,670	12,019,140

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
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The details of the funds are as follows:

2016	% Holding	Holding R	Assets under management R
Blue Ink Fixed Income Fund	14.5%	45,042,518	310,451,084
Blue Ink Long Short Aggressive Fund	14.1%	48,883,445	346,918,046

2015	% Holding	Holding R	Assets under management R
Blue Ink Fixed Income Fund	9.3%	59,255,743	635,470,476
Blue Ink Long Short Aggressive Fund	6.7%	60,210,510	900,892,737

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.

36. Future Commitments

Operating lease commitments

The future minimum lease payments under non-cancelable operating leases are as follows:

Lease of premises	2016	2015
No later than 1 year	3,364,675	221,580
Later than 1 year but less than 5 years	13,191,902	-
	16,556,577	221,580

Macquarie Securities South Africa Limited

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
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37. 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 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 Company is monitored as part of the global Macquarie Securities Group. Decision makers review financial information monthly at the segment level. The executive directors as described in the Report on Corporate Governance acts as the chief operating decision maker.

2016	Trading	Treasury	Corporate Head Office	Total
Net interest income/(loss)	10,289,801	52,114,919	6,135,977	68,540,697
Net trading gain/(loss)	(154,534,229)	(21,446,753)	37,960,288	(138,020,694)
Net profit/(loss)	(266,112,241)	7,455,249	22,093,937	(236,563,055)

2016	Trading	Treasury	Corporate Head Office	Total
Net Asset Value at year end	(18,244,919)	1,341,179	124,426,904	107,523,164

2015	Trading	Treasury	Corporate Head Office	Total
Net interest income	19,874,901	10,504,805	861,961	31,241,667
Net trading (loss)/gain	140,449,268	4,042,976	21,115,177	165,607,421
Net profit/(loss)	69,737,037	380,955	(6,674,172)	63,443,820

2015	Trading	Treasury	Corporate Head Office	Total
Net Asset Value at year end	53,271,772	(16,364,737)	96,780,467	133,687,502

