MACQUARIE

Macquarie Securities South Africa Limited
Financial Statements
for the year ended 31 March 2017

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 Duncan MacRobert Peter Gordon Timothy Leclercq 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 Proprietary 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

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

Level of assurance

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

Preparers

David Scheppening and Kim Robertson
Chartered Accountants (SA)

Published

23 June 2017

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.

The Board is aware of the new King IV report. The implementation and impact thereof has been assessed.

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.

Report of the Audit Committee

Activities of the Board Audit Committee

The Committee met four 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 2017 to the Board.

Tim Leclercq
Chairperson: Board Audit Committee
23 June 2017

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 three executive directors, Graham Crawford, Nicholas Luck 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. Graham Crawford, Nikolai Mavrodinov and Duncan MacRobert are the members of the S&EC. Tim Leclercq is chairman of the BAC and Nikolai Mavrodinov 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.

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 2017.

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 profit after tax for the year ended 31 March 2017 of R 3,684,827 (2016: Net profit/(loss) after tax R(216,164,339)).

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		
Graham Crawford		
Nicholas Luck		
James Burgess		Resigned 17 October 2016
Duncan MacRobert	Non-executive	
Peter Gordon	Non-executive	
Timothy Leclercq	Non-executive	
Nicola Bosworth		Resigned 17 October 2016
Nikolai Mavrodinov		

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 2017.

At the AGM, the shareholder will be requested to reappoint PricewaterhouseCoopers Inc. as the independent external auditors of the company for the 2018 financial year.

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 15 to 58, which have been prepared on the going concern basis, were approved by the board on 23 June 2017 and were signed on its behalf by:

Graham Crawford	**Nikolai Mavrodinov**
23 June 2017	**23 June 2017**

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 financial statements and related financial information included in this report. It is their responsibility to ensure that the 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 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**	**Nikolai Mavrodinov** **Director**

Independent auditor's report

To the Shareholders of Macquarie Securities South Africa Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Macquarie Securities South Africa Limited (the "Company") as at 31 March 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act of South Africa.

What we have audited

Macquarie Securities South Africa Limited's financial statements, set out on pages 15 to 58 comprise:

- the statement of financial position as at 31 March 2017;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the Company in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

Our audit approach

Overview

Overall materiality

- *Overall materiality: R5,193,124, which represents 5% of the three year average profit or loss before tax adjusted for profit-sharing*

Key Audit Matters

- *Fair value of unlisted financial instruments*
- *Recoverability of deferred tax assets*

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall materiality	*R5,193,124*
How we determined it	*5% of the three year average profit or loss before tax adjusted for profit-sharing*
Rationale for the materiality benchmark applied	*We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Company is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-orientated companies in this sector.*

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	***How our audit addressed the key audit matter***
Fair value of unlisted financial instruments *Refer to page 28 (Note 6: Financial assets at fair value through profit and loss), page 29 (Note 10: Derivative financial instruments), page 33 (Note 17: Financial liabilities at fair value through profit and loss) and page 54 to 56 (Note 34: Valuation of financial instruments).* *The valuation of the unlisted financial instruments was a matter of most significance to our audit due to the degree of complexity involved in valuing some of the instruments and the significance of the judgements and estimates made by management.* *In particular, the determination of Level 3 (IFRS 7 - fair value hierarchy) prices is subjective given the use of significant unobservable inputs in determining price. Unobservable inputs include dividend forecasts, volatilities and unlisted fund prices.* *At 31 March 2017, 2% (ZAR 221 million) of the total financial instruments (absolute value of assets and liabilities) that were carried at fair value were classified as Level 3. The Level 3 instruments mainly comprised of investments (financial assets at fair value through profit and loss) and notes (financial assets at fair value through profit and loss) into unlisted funds.*	*To assess the control environment in which the valuation model reviews are performed, we have performed the following procedures:* • *We inspected that the methodology and accuracy of all new models and model variations were approved by management prior to being released into production.* • *We compared the models used in production to the models that were approved and inspected that the methodology of the models currently used in production were in line with Macquarie's valuation policies.* *Our testing of the design and operation of the controls provided a basis to continue with the planned detailed audit procedures. Our audit procedures in respect of our consideration of the fair value of these instruments included:* • *For a sample of instruments, we performed look-back procedures on past estimates of unobservable inputs (refer to definition on page 54 - Note 34: Valuation of financial instruments) and compared the actual results to these past estimates to assess management's ability to perform an accurate forecast.* • *For a sample of Level 3 financial instruments, we independently obtained the results of market consensus data (i.e. prices, yields, curves) from market data vendors (i.e. Bloomberg and Reuters) and compared the consensus data to management's estimate for significant unobservable inputs used.* • *For a sample of unlisted financial instruments, we made use of our own internal actuarial expertise to perform*

	an independent valuation. We used an industry standard valuation method and independent bond, swap, real and prime curves. We found that the results of our independent analyses are consistent with those of management's analyses.
Recoverability of deferred tax asset *A deferred tax asset related to an assessed loss, as disclosed in note 7 on page 28, has been recognised. In order to recognise the deferred tax asset, management has made estimates based on assumptions in relation to the future taxable income of the entity, thereby concluding on the recoverability of the individual assets.* *These judgements and assumptions include growth rates in taxable income as a consequence of new products and trading strategies, and the entity's ability to execute on those plans.* *Accordingly, the assessments of the recoverability of the deferred tax asset is considered a matter of most significance to our audit.*	*Our procedures included:* • *Evaluating the assessments performed by management with regard to future taxable income, and the realisation of the deferred taxation, by comparing their assessment to their three year cash flow forecast and business plans;* • *Assessing the accuracy of management's ability to forecast by comparing previous budgets to actual results;* • *We performed a sensitivity analysis by flexing the key assumption (i.e. growth assumption in respect of new products and trading strategies) with a reasonable percentage to see if it would affect the utilisation of the deferred tax asset;* *Based on our work performed, we accepted management's key assumptions to be within reasonable ranges.*

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, Directors' Responsibilities and Approval, Audit Committee's Report and the Company Secretary Certificate as required by the Companies Act of South Africa, and the Report of Corporate Governance, which we obtained prior to the date of this auditor's report. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

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

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

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the 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 statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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: D Khalfey
Registered Auditor
Cape Town
23 June 2017

Statement of Financial Position as at 31 March 2017

Figures in Rand	Note(s)	2017	2016
Assets			
Non-Current Assets			
Property, plant and equipment	3	18,086,607	22,930,761
Investments in associates	4	420	420
Deferred tax	7	48,750,469	40,222,792
		66,837,496	**63,153,973**
Current Assets			
Loans to group companies	5	159,526,557	461,374,544
Trade and other receivables	13	156,814,512	592,702,296
Financial assets at fair value through profit and loss	6	3,966,317,106	4,026,443,154
Loans at amortised cost	8	560,401,844	582,635,555
Trade portfolio assets	9	897,332,101	651,180,990
Derivative financial instruments	10	1,631,049,651	1,511,808,353
Collateral on securities borrowed	11	1,248,136,787	1,056,367,421
Cash and cash equivalents	14	51,208,128	65,947,989
		8,670,786,686	**8,948,460,302**
Total Assets		**8,737,624,182**	**9,011,614,275**
Equity and Liabilities			
Equity			
Share capital	15	190,327,100	190,327,100
Non-Distributable Reserves		4,299,502	4,299,502
Accumulated (loss)/profit		(83,418,612)	(87,103,439)
		111,207,990	**107,523,163**
Liabilities			
Non-Current Liabilities			
Loans from group companies	12	2,214,133,781	1,921,620,746
Current Liabilities			
Loans from group companies	12	38,832,383	60,754,829
Derivative financial instruments	10	1,326,138,069	1,418,799,628
Financial liabilities at fair value through profit or loss	17	2,594,075,460	2,207,503,723
Issued debt	18	170,169,397	776,066,362
Trade and other payables	21	930,650,365	716,236,254
Collateral received on securities lent	19	690,517,516	921,850,000
Trade portfolio liabilities	20	661,899,221	881,259,570
		6,412,282,411	**6,982,470,366**
Total Liabilities		**8,626,416,192**	**8,904,091,112**
Total Equity and Liabilities		**8,737,624,182**	**9,011,614,275**

Statement of Profit or Loss and Other Comprehensive Income

Figures in Rand	Note(s)	2017	2016
Interest and similar income	22	680,507,600	695,912,057
Interest expense and similar charges	23	(437,411,040)	(627,371,360)
Net interest income		**243,096,560**	**68,540,697**
Net trading (loss)/income		(102,902,603)	(138,020,694)
Operating expenses		(145,036,807)	(167,083,058)
Operating (loss)/profit	24	**(4,842,850)**	**(236,563,055)**
(Loss)/profit before taxation		**(4,842,850)**	**(236,563,055)**
Taxation	25	8,527,677	20,398,716
(Loss)/profit for the year		**3,684,827**	**(216,164,339)**
Other comprehensive income		-	-
Total comprehensive (loss)/income for the year		**3,684,827**	**(216,164,339)**

Statement of Changes in Equity

Figures in Rand	Share capital	Other Non-Distributable Reserves	Accumulated (loss)/profit	Total equity
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 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 01 April 2016	**190,327,100**	**4,299,502**	**(87,103,439)**	**107,523,163**
Total comprehensive income for the year	**-**	**-**	**3,684,827**	**3,684,827**
Balance at 31 March 2017	**190,327,100**	**4,299,502**	**(83,418,612)**	**111,207,990**
Note(s)	15			

Statement of Cash Flows

Figures in Rand	Note(s)	2017	2016
Cash flows from operating activities			
Cash generated from/(utilised by) operations	27	380,879,948	876,344,818
Interest received		623,889,982	660,268,540
Interest paid		(351,472,935)	(569,289,387)
Net dividends manufactured on trading securities		22,297,723	(572,272,668)
Net cash generated from/(utilised by) operating activities		**675,594,718**	**395,051,303**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(755,660)	(25,816,975)
Cash flows from financing activities			
Proceeds on share issue	15	-	190,000,000
Repayment of long-term debt		(56,187)	(707,705,952)
Proceeds on preference shares issued		-	500,000,000
Repayment of preference shares		(621,000,000)	(300,000,000)
Preference dividends paid		(68,522,732)	(76,667,656)
Net cash from financing activities		**(689,578,919)**	**(394,373,608)**
Total cash movement for the year		**(14,739,861)**	**(25,139,280)**
Cash at the beginning of the year		65,947,989	91,087,269
Total cash at end of the year	14	**51,208,128**	**65,947,989**

Accounting Policies

1. Presentation of financial statements

The 2017 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 Committee) and comply with the South African Companies Act No. 71 of 2008. The financial statements have been prepared under the historical cost convention 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: Note 1.3 below - Fair Value Determination; 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 and Valuation of financial instruments - Note 34.

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.

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
- 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.

Loans from group companies are classified as either financial liabilities at fair value through profit or loss or financial liabilities at amortised cost depending on the terms of the loan.

Accounting Policies

1.3 Financial instruments (continued)

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.

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

Transactions are recorded on trade date.

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

Subsequent measurement

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

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

Dividend income is recognised in profit or loss as part of net trading gain/loss when the 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 rate method, less accumulated impairment losses.

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

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.

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.

Accounting Policies

1.3 Financial instruments (continued)

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.

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.

The non-current portion of the Loans from group companies are classified at fair value. The current portion of the Loans from group companies are classified 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.

Accounting Policies

1.3 Financial instruments (continued)

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, swaps 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.

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.

1.4 Tax (continued)

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.

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 rate method.

The effective interest rate 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.

Accounting Policies

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.

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.

Macquarie Securities South Africa Limited recognises an expense for its awards granted to employees.The corresponding liability is cash settled to MGL. 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.

Refer to note 35 for disclosure related to operating lease commitments.

1.11 Net trading income/(loss)

Net trading income comprises gain and loss related to trading assets and liabilities and include all realised and unrealised fair value changes and foreign exchange differences.

1.12 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.

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.

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:

Standard/ Interpretation	Effective date: Years beginning on or after	Expected Impact
• Amendment to IFRS11: Accounting for Acquisitions of Interests in Joint Operations	01 January 2016	The impact of the amendment is not material.
• IFRS14 Regulatory Deferral Accounts	01 January 2016	The impact of the amendment is not material.
• Amendments to IAS 16 and IAS 41: Agriculture: Bearer Plants	01 January 2016	The impact of the amendment is not material.
• Amendments to IAS 19: Employee Benefits: Annual Improvements projects	01 January 2016	The impact of the amendment is not material.
• Disclosure Initiative: Amendments to IAS1: Presentation of Financial Statements	01 January 2016	The impact of the amendment is not material.
• Amendments to IAS 34: Interim Financial Reporting. Annual Improvements projects	01 January 2016	The impact of the amendment is not material.

2.2 Standards and Interpretations early adopted

The company has chosen to early adopt the following standards and interpretations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IFRS 9 (AC 146) Financial Instruments: Requirements relating to own credit risk	01 January 2018	The impact of the standard is not material

2.3 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 2017 or later periods:

Standard/ Interpretation	Effective date: Years beginning on or after	Expected Impact
• IFRS 9 (AC 146) Financial Instruments:	01 January 2018	Impact is currently being assessed.
• IFRS 16 Leases	01 January 2019	Impact is currently being assessed.
• Amendments to IFRS 15: Clarification to IFRS 15 Revenue from Contracts with Customers	01 January 2018	Impact is currently being assessed.
• Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	01 January 2018	Unlikely there will be a material impact.
• Amendments to IFRS 4: Applying IFRS 9 Instruments with IFRS 4 Insurance Contracts	01 January 2018	Unlikely there will be a material impact.
• Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	01 January 2017	Unlikely there will be a material impact.

3. Property, plant and equipment

	2017			2016		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Furniture and fixtures	336,530	(313,651)	22,879	431,693	(415,944)	15,749
Leasehold improvements	26,160,251	(8,424,488)	17,735,763	25,473,148	(3,022,238)	22,450,910
Equipment	851,739	(523,774)	327,965	698,591	(234,489)	464,102
Total	**27,348,520**	**(9,261,913)**	**18,086,607**	**26,603,432**	**(3,672,671)**	**22,930,761**

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Transfers	Depreciation	Total
Furniture and fixtures	15,749	14,020	-	(6,890)	22,879
Leasehold improvements	22,450,910	687,104	-	(5,402,251)	17,735,763
Equipment	464,102	54,536	63,002	(253,675)	327,965
	22,930,761	**755,660**	**63,002**	**(5,662,816)**	**18,086,607**

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**

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	2017 ownership interest	2016 ownership interest	2017 Carrying amount	2016 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.

Notes to the Financial Statements

Figures in Rand	2017	2016

5. Loans to group companies

Due from related parties	159,526,557	461,374,544

R150m (2016: R150m) 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 2018. R6m (2016: R306m) relates to accrued interest on collateral. 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 28 for related party disclosure.

6. Financial assets at fair value through profit and loss

Money Market instruments and funds	1,010,689,557	506,275,465
Term deposits managed on a fair value basis	2,843,992,745	3,328,041,641
Negotiable certificates of deposit	-	49,594,578
Unlisted investments	111,634,804	93,537,144
Government bonds	-	48,994,326
	3,966,317,106	**4,026,443,154**

Current assets		
At fair value through profit or loss	3,966,317,106	4,026,443,154

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.

7. Deferred tax

Deferred tax asset

Temporary differences on tangible fixed assets	-	-
Temporary differences on bonus provision	1,711,571	1,205,488
Temporary differences on other provisions	848,161	1,531,807
Temporary differences on tax losses available for set off against future taxable income	46,190,737	37,485,497
	48,750,469	**40,222,792**

Reconciliation of deferred tax asset / (liability)

At beginning of year	40,222,792	19,824,075
(Decrease)/increase in tax losses available for set off against future taxable income	8,705,240	23,486,516
Originating temporary difference on tangible fixed assets	-	(7,483)
Originating temporary difference on bonus provision	506,083	(2,886,984)
Originating temporary differences on other provisions	(683,646)	(193,332)
	48,750,469	**40,222,792**

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.

Notes to the Financial Statements

Figures in Rand	2017	2016

8. Loans at amortised cost

Loans	424,423,792	541,540,666
Impairment of loans	(33,866,936)	(128,789,811)
Term deposits	169,844,988	169,884,700
	560,401,844	**582,635,555**

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 R382,028,811 (2016: R482,599,859) 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. Impairment reduced by R94,9m (2016: Rnil) due to increased valuation of underlying collateral.

The term deposits mature within 1 year and bear interest at an average rate of 8.785% (2016: 8.785%). The fair value of the term deposits held at amortised cost is R170,177,625 (2016: R171,873,206) 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 sheet date or as a liability where the fair value at balance sheet 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.

2017 - Derivatives held for trading	**Assets**	**Liabilities**
OTC derivatives	302,801,204	(1,666,546)
Exchange traded equity futures	1,328,248,447	(1,324,471,523)
	1,631,049,651	**(1,326,138,069)**

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)**

For the Fair Value Hierarchy refer to note 34.

Figures in Rand	2017	2016

11. Collateral on securities borrowed

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

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

	2017 - Asset	**2017 - Related Liability**	**2016 - Asset**	**2016 - Related Liability**
Trading assets	1,248,136,787	(1,179,946,061)	1,056,367,421	(881,162,003)

Fair value approximates carrying value.

12. Loans from group companies

	2017	2016
Non-current liabilities	2,214,133,781	1,921,620,746
Current liabilities	38,832,383	60,754,829
	2,252,966,164	**1,982,375,575**

	2017	2016
At beginning of the year	1,982,375,575	4,674,043,499
Net settlement/(advances)	270,590,589	(2,691,667,924)
	2,252,966,164	**1,982,375,575**

R600m (2016: Rnil) relates to two R300m subordinated loans from the Delta1 Finance Trust that bear interest at 6 month JIBAR + 0.355% per annum and 3 month JIBAR + 0.775% per annum and are repayable in August 2018. The balance of related party loans are unsecured and bear interest at commercial interest rates. R39 million (2016: R60 million) is repayable within 30 days. R600m (2016: Rnil) is repayable within 2 years. R1.6 billion (2016: R1.9 billion) is repayable within 3 years. The carrying amount approximates the fair value. Refer note 28 for related party disclosure.

13. Trade and other receivables

	2017	2016
Trade receivables	387,189	5,399,210
Other receivables	3,555,443	3,731,193
Unsettled equity trades with JSE	152,871,880	583,571,893
	156,814,512	**592,702,296**

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 2017, trade and other receivables of R nil (2016: R 18,537) were impaired and provided for.

The ageing of these receivables is as follows:

	2017	2016
1 to 12 months	-	18,537

14. Cash and cash equivalents

Cash and cash equivalents consist of:

	2017	2016
Bank balances and other cash equivalents	51,208,128	65,947,989

15. Share capital

Figures in Rand	2017	2016
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	190,000,000
49,875 no par value class "A" redeemable cumulative preference shares	49,875	49,875
4 no par value class "B" redeemable cumulative preference shares	4	100
30 no par value class "C" redeemable cumulative preference shares	30	12,587
Nil 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	310,100,000
337,238 no par value unclassified shares under s36(1)(d) of the Act	337,238	337,238
	500,815,147	**500,827,900**
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	190,000,000
Nil no par value class "B" redeemable cumulative preference shares	-	96
30 no par value class "C" redeemable cumulative preference shares	30	12,587
Nil no par value class "E" redeemable cumulative preference shares	-	100
	190,327,130	**190,339,883**
Issued - Rand		
327,100 Ordinary shares of R1 each	327,100	327,100
190,000,000 Class "B" Ordinary shares	190,000,000	190,000,000
	190,327,100	**190,327,100**

All issued shares are fully paid.

Refer note 17 and 18 for preference shares issued.

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. During the financial year, MGL made changes to align the buying and selling of Macquarie shares in relation to the MEREP. MGL may elect to implement similar arrangement in future periods.

Award Types under the MEREP

Restricted Share Units (RSUs)

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

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

The following is a summary of Awards which have been granted to the employees of the Entity pursuant to the MEREP:

	2017 - No. of RSU Awards	**2016 - No. of RSU Awards**
RSUs in issue at the beginning of the financial year	11,518	28,676
Granted during year	429	3,053
Vested RSUs withdrawn or sold from the MEREP during the financial year	(6,907)	(13,410)
Forfeited during the year	(560)	(6,801)
Transfers (to)/from related body corporate entities	(1,912)	-
RSUs in issue at the end of the year	**2,568**	**11,518**

The weighted average fair value of the RSU Awards granted during the financial year was R824.40 or AU$80.51 (2016: R929.29 or AU$81.70).

The awards are measured at their grant dates based on their fair value. This amount is recognised as an expense evenly over the respective vesting periods and the equity provided is treated as a prepaid asset where MGL is reimbursed in advance.

RSUs have been granted in the current year in respect of 2016. The fair value of each of these grants is estimated using Macquarie's share price on the date of grant

While RSUs for FY2017 will be granted during FY2018, MGL begins recognising an expense for these awards (based on an initial estimate) from 1 April 2016. The expense is estimated using the price of MGL ordinary shares as at 31 March 2017 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 and will use this validation for recognising the expense over the remaining vesting period.

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

For the financial year ended 31 March 2017, compensation expense relating to the MEREP totalled R611,182.40 or AU$59,687.53 (2016: R0.176m AU$15,553.70).

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

'- staff other than Executive Directors with retained profit share above a threshold amount (Retained Profit Share Awards) and staff who were promoted to Associate Director, Division Director or Executive Director, who received a fixed Australian dollar value allocation of MEREP awards (Promotion Awards)

'- new Macquarie Group staff who commence at Associate Director, Division Director or Executive Director level and are awarded a fixed Australian dollar value, depending on level (New Hire Awards).

AWARD TYPE	LEVEL	VESTING
Retained Profit Share Awards and Promotion Awards	Below Executive Director	1/3rd in the 2nd, 3rd and 4th year following the year of grant(1)
New Hire Awards	All Director-level staff	1/3rd on each first day of a staff trading window on or after the 2nd, 3rd and 4th anniversaries of the date of allocation

(1) Vesting will occur during an eligible staff trading window.

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 2016 retention, the allocation price was the weighted average price of the Shares acquired for the 2016 Purchase Period, which was 17 May 2016 to 17 June 2016 inclusive. That price was calculated to be $71.55 (2015 retention: $80.68).

17. Financial liabilities at fair value through profit or loss

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

	2017	2016
Debt issued at fair value	2,487,708,170	2,042,708,598
Equity linked notes	106,367,290	164,795,125
	2,594,075,460	**2,207,503,723**

18. Issued debt

	2017	2016
Current liabilities	170,169,397	776,066,362

	2017 Interest Rate	**2016 Interest Rate**	2017	2016
Listed debt - held at amortised cost	8.57%	8.57%	170,169,397	171,218,403
Preference shares issued - held at amortised cost	n/a	7.44%	-	604,847,959
			170,169,397	**776,066,362**

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

The fair value of debt issued held at amortised cost is R169,933,741 (2016 - R804,670,451) calculated using a discounted cashflow model. This has been classified as Level 2 in the Fair Value Hierarchy.

Notes to the Financial Statements

Figures in Rand	2017	2016

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.

	2017 - Liability	2017 - Related Asset	2016 - Liability	2016 - Related Asset
Trading liabilities	(690,517,516)	662,500,485	(921,850,000)	881,609,298

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

	2017	2016
Trade payables	5,825,951	7,922,625
Unsettled equity trades with JSE	910,360,066	691,710,603
VAT	2,129,251	3,049,565
Fees payable	638,574	590,412
Interest Withholding Tax payable	51,795	33,583
Accrued leave pay	1,040,298	1,310,158
Accrued bonus	6,112,753	4,305,315
Accrued expenses	4,491,677	7,313,993
	930,650,365	**716,236,254**

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

22. Interest and similar income

	2017	2016
Interest income on deposits	513,813,604	431,215,593
Interest income on collateral pledged	166,693,996	264,696,464
	680,507,600	**695,912,057**

23. Interest expense and similar charges

	2017	2016
Interest on loans from financial institutions	40,853,374	53,962,180
Interest on intercompany loans	167,872,222	172,901,205
Interest expense on collateral received	45,440,582	45,256,319
Interest on repurchase transactions	-	195,659,589
Interest on listed debt	183,244,862	159,592,067
	437,411,040	**627,371,360**

Figures in Rand	2017	2016

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	22,297,723	(572,272,668)
Gains/ (losses) on instruments held for trading	(261,809,884)	580,202,716
Gains/ (losses) on instruments at fair value through profit or loss	126,734,047	(48,299,267)
Other trading income/ (expenses)	9,875,511	(97,651,475)
	(102,902,603)	**(138,020,694)**

In the current year, Other trading income/(expenses) includes R94.4m (2016: Rnil) relating to the reversal of the impairment in the prior year. The prior year included impairment expense of R128.8m in Other trading income/ (expenses).

Operating lease for premises	3,801,231	4,619,580
Depreciation on property, plant and equipment	5,662,816	3,198,492
Employee costs	45,802,343	52,126,178
Administration charges	57,797,267	79,334,959
Auditors remuneration	1,961,794	621,224
Communication costs	5,036,239	5,251,001
Professional fees	1,857,245	1,284,427
IT Costs	3,607,677	4,050,889
Non recoverable VAT	15,186,369	6,545,393
Other	4,323,826	10,050,915
Total operating expenses	**145,036,807**	**167,083,058**

25. Taxation

Major components of the tax (income)/expense

Current		
Local income tax - current period	-	-
Deferred		
Deferred tax	(8,527,677)	(20,398,716)

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

Applicable tax rate	28 %	28 %
Effect of exempt income	225 %	2 %
Effect of non-deductible losses	- %	(19)%
Effect of non-deductible expenses	(87)%	(2)%
Employee share based payment expenses not deducted for accounting purposes	12 %	- %
Adjustment to prior year loss	(2)%	- %
Effective rate as per Statement of Comprehensive Income	**176 %**	**9 %**

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 2017 tax as the company has no taxable income. The estimated tax loss available for set off against future taxable income is R 164,966,919 (2016: R 133,876,776)-.

Notes to the Financial Statements

Figures in Rand	2017	2016

26. Auditors' remuneration

Fees	1,662,467	606,224
Tax and other services	299,327	15,000
	1,961,794	**621,224**

27. Cash generated from (utilised by) operations

Profit (loss) before taxation	(4,842,850)	(236,563,055)
Adjustments for:		
Depreciation	5,662,816	3,198,492
Unrealised loss on foreign exchange	(13,449,427)	6,613,143
Net dividends manufactured on trading securities	(22,297,723)	572,272,668
Interest and similar income	(680,507,600)	(695,912,057)
Interest expense and similar charges	437,411,040	627,371,360
Employee share options	(639,834)	(130,452)
Impairment of loans	(94,922,875)	128,789,811
Transfer of assets	(63,002)	-
Changes in working capital:		
Movements in loan at amortised cost	174,995,720	504,241,750
Financial assets at fair value	58,904,534	750,259,315
Trade and other receivables	435,887,783	37,568,624
Loans from group companies	284,679,850	(2,698,150,615)
Loans to group companies	301,847,987	(357,677,120)
Trade portfolio assets	(246,151,111)	(439,155,716)
Derivative financial instruments	(211,902,857)	(9,348,622)
Collateral on securities borrowed	(191,769,366)	4,464,987,111
Trade and other payables	214,414,111	(1,096,329,866)
Financial liabilities at fair value	384,315,585	(58,157,003)
Collateral received on securities lent	(231,332,484)	(991,802,660)
Trade portfolio liabilities	(219,360,349)	364,269,710
	380,879,948	**876,344,818**

Notes to the Financial Statements

Figures in Rand	2017	2016

28. Related parties

Relationships	
Ultimate holding company	Macquarie Group Limited
Holding company	Macquarie EMG Holdings Proprietary 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.

2017	**Relationship**	**Transactional movement for the year**	**Transactional movement for the year**	**Transactional movement for the year**	**Balance as at year end**
		Inter-group charges	**Trading activities**	**Intercompany funding**	
		R	**R**	**R**	**R**
Delta1 Finance Trust	Other	-	358,190,087	-	(2,214,133,781)
International Life Solutions (Pty) Ltd	Other	(1,672,822)	-	-	-
Macquarie Africa (Pty) Ltd	Other	(1,548,603)	-	(29,717)	363,613
Macquarie Bank Ltd	Other	1,555,608	226,681,962	(2,481,377)	8,274,310
Macquarie Corporate Holdings Pty Limited	Other	-	-	240,772	7,284
Macquarie EMG Holdings Pty Ltd	Parent	(17,805,489)	788,562	589,074	(9,802)
Macquarie Equities SA (Pty) Ltd	Other	(3,971,017)	(14,041,925)	-	150,305,837
Macquarie Financial Holdings Pty Ltd	Other	2,020,259	(18)	(1,086,314)	(37,850,649)
Macquarie Global Services (USA) LLC	Other	1,316,810	-	-	-
Macquarie Group Ltd	Ultimate parent	163,617	-	-	574,219
Macquarie Group Services Australia Pty Ltd	Other	60,563,246	-	-	-
Macquarie Holdings (USA) Inc	Other	1,795,573	-	-	-
Macquarie Int Investments Ltd	Other	-	-	(14,495,250)	1,196
Macquarie Offshore Services Pty Ltd		1,067,951	-	-	(55,655)
Macquarie Services (Hong Kong) Ltd	Other	14,529,026	-	-	-
Macquarie Capital (Europe) Ltd	Other	(1,387,490)	-	-	-
Macquarie Capital Funds (Europe) Ltd	Other	(808,040)	-	-	-
Macquarie Capital South Africa (Pty) Ltd	Other	(1,323,939)	-	-	(190,767)
Macquarie Global Services Pty Ltd	Other	339,461	-	-	(52,717)
Macquarie Holdings South Africa (Pty) Ltd	Other	1,696,638	-	-	(500,120)
Macquarie Group Services Singapore (Pty) Ltd	Other	1,129,978	-	-	-
Other Group Entities with balances <R200,000	Other	62,264	6,955	-	(172,575)
		57,723,031	**571,625,623**	**(17,262,812)**	**(2,093,439,607)**

28. Related parties (continued)

2016	Relationship	Transactional movement for the year	Transactional movement for the year	Transactional movement for the year	Balance as at year end
		Inter-group charges	Trading activities	Intercompany funding	
		R	R	R	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 Ltd	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	Other	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)**

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

Only directors are considered to be key management. Refer Note 30 and 37 for compensation paid to directors.

29. 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 2017:

29. Interests in other entities (continued)

Carrying value of Asset-backed financing assets	2017	2016
Derivative assets	64,505,600	36,110,345
Financial assets at fair value through profit or loss	418,653,010	294,729,843
Loan assets held at amortised cost	382,040,750	212,219,321
Total carrying value of assets	865,199,360	543,059,509
Maximum exposure to loss	865,199,360	543,059,509

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 R2.2 billion (2016: R1.6 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.

2017	% holding	Holding	Assets under management
Absa Money Market Fund (Institutional Class)	<0.01%	1,566,184	62,880,000,000
Nedgroup Investments Money Market Fund (Class C2)	2.3%	279,906,230	12,277,000,000
STANLIB Corporate Money Market Fund (Class B4)	<0.01%	21,547	29,756,880,000

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

30. Directors' emoluments

Executive

2017

	Emoluments
For services as directors	12,884,386

2016

	Emoluments
For services as directors	21,444,715

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

31. Categories of financial instruments

	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	Equity and non financial assets and liabilities	Total
Categories of financial instruments - 2017								
Assets								
Non-Current Assets								
Property, plant and equipment	3	-	-	-	-	-	18,086,607	18,086,607
Investments in associates	4	-	-	420	-	-	-	420
Deferred tax	7	-	-	-	-	-	48,750,469	48,750,469
		-	**-**	**420**	**-**	**-**	**66,837,076**	**66,837,496**
Current Assets								
Loans to group companies	5	-	159,526,557	-	-	-	-	159,526,557
Financial assets at fair value through profit and loss	6	3,966,317,106	-	-	-	-	-	3,966,317,106
Loans at amortised cost	8	-	560,401,844	-	-	-	-	560,401,844
Trade and other receivables	13	-	156,814,512	-	-	-	-	156,814,512
Trade portfolio assets	9	897,332,101	-	-	-	-	-	897,332,101
Derivative financial instruments	10	1,631,049,651	-	-	-	-	-	1,631,049,651
Collateral on securities borrowed	11	-	1,248,136,787	-	-	-	-	1,248,136,787
Cash and cash equivalents	14	-	51,208,128	-	-	-	-	51,208,128
		6,494,698,858	**2,176,087,828**	**-**	**-**	**-**	**-**	**8,670,786,686**
Total Assets		**6,494,698,858**	**2,176,087,828**	**420**	**-**	**-**	**66,837,076**	**8,737,624,182**

31. Categories of financial instruments (continued)

	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	Equity and non financial assets and liabilites	Total
Equity and Liabilities								
		-	**-**	**-**	**2**	**1**	**1**	**3**
Equity								
Equity Attributable to Equity Holders of Parent:								
Share capital	15	-	-	-	-	-	190,327,100	190,327,100
Non-Distributable Reserves		-	-	-	-	-	4,299,502	4,299,502
Retained income		-	-	-	-	-	(83,418,612)	(83,418,612)
Total Equity		**-**	**-**	**-**	**-**	**-**	**111,207,990**	**111,207,990**
Liabilities								
Non-Current Liabilities								
Loans from group companies	12	-	-	-	2,214,133,781	-	-	2,214,133,781

31. Categories of financial instruments (continued)

	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	Equity and non financial assets and liabilites	Total
Current Liabilities								
Loans from group companies	12	-	-	-	-	38,832,383	-	38,832,383
Derivative financial instruments	10	-	-	-	1,326,138,069	-	-	1,326,138,069
Financial liabilities at fair value through profit and loss	17	-	-	-	2,594,075,460	-	-	2,594,075,460
Issued debt	18	-	-	-	-	170,169,397	-	170,169,397
Trade and other payables	21	-	-	-	-	930,650,365	-	930,650,365
Collateral on securities lent	19	-	-	-	-	690,517,516	-	690,517,516
Trade portfolio liabilities	20	-	-	-	661,899,221	-	-	661,899,221
		-	**-**	**-**	**4,582,112,750**	**1,830,169,661**	**-**	**6,412,282,411**
Total Liabilities		**-**	**-**	**-**	**6,796,246,531**	**1,830,169,661**	**-**	**8,626,416,192**
Total Equity and Liabilities		**-**	**-**	**-**	**6,796,246,531**	**1,830,169,661**	**111,207,990**	**8,737,624,182**

Categories of financial instruments - 2016

Assets

Non-Current Assets								
Property, plant and equipment	3	-	-	-	-	-	22,930,761	22,930,761
Investments in associates	4	-	-	420	-	-	-	420
Deferred tax	7	-	-	-	-	-	40,222,792	40,222,792
		-	**-**	**420**	**-**	**-**	**63,153,553**	**63,153,973**

31. Categories of financial instruments (continued)

	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	Equity and non financial assets and liabilites	Total
Current Assets								
Loans to group companies	5	-	461,374,544	-	-	-	-	461,374,544
Financial assets at fair value through profit and loss	6	4,026,443,154	-	-	-	-	-	4,026,443,154
Loans at amortised cost	8	-	582,635,555	-	-	-	-	582,635,555
Trade and other receivables	13	-	592,702,296	-	-	-	-	592,702,296
Trade portfolio assets	9	651,180,990	-	-	-	-	-	651,180,990
Derivative financial instruments	10	1,511,808,353	-	-	-	-	-	1,511,808,353
Collateral on securities borrowed	11	-	1,056,367,421	-	-	-	-	1,056,367,421
Cash and cash equivalents	14	-	65,947,989	-	-	-	-	65,947,989
		6,189,432,497	**2,759,027,805**	**-**	**-**	**-**	**-**	**8,948,460,302**
Total Assets		**6,189,432,497**	**2,759,027,805**	**420**	**-**	**-**	**63,153,553**	**9,011,614,275**
Equity and Liabilities								
Equity								
Equity Attributable to Equity Holders of Parent:								
Share capital	15	-	-	-	-	-	190,327,100	190,327,100
Non-Distributable 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**

31. Categories of financial instruments (continued)

	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	Equity and non financial assets and liabilites	Total
Liabilities								
Non-Current Liabilities								
Loans from group companies	12	-	-	-	1,921,620,746	-	-	1,921,620,746
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
		-	**-**	**-**	**4,507,562,921**	**2,474,907,445**	**-**	**6,982,470,366**
Total Liabilities		**-**	**-**	**-**	**6,429,183,667**	**2,474,907,445**	**-**	**8,904,091,112**
Total Equity and Liabilities		**-**	**-**	**-**	**6,429,183,667**	**2,474,907,445**	**107,523,163**	**9,011,614,275**

Figures in Rand	2017	2016

32. 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:

	2017	2016
Share capital	190,327,100	190,327,100
Reserves	4,299,502	4,299,502
Retained income	(83,418,612)	(87,103,439)
Redeemable preference shares	300,000,000	721,000,000
Subordinated debt	600,000,000	-
	1,011,207,990	**828,523,163**

32. 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.

32. 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.

2017	**At Call**	**3 months or less**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**
Trade portfolio liabilities	-	661,899,221	-	-	-
Collateral on securities lent	-	690,517,516	-	-	-
Debt issued at amortised cost	-	169,933,741	-	-	-
Derivative financial instruments	-	1,213,392,817	111,078,709	1,183,839	-
Financial liabilities at fair value through profit or loss	-	1,302,102,776	1,353,908,440	122,390,915	-
Intercompany	38,832,383	-	1,453,142,798	970,837,016	-
Other liabilities	-	928,798,374	1,119,218	1,021,945	-
	38,832,383	**4,966,644,445**	**2,919,249,165**	**1,095,433,715**	**-**

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**	**-**

32. 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.

Interest rate risk is monitored on a portfolio basis rather than at an asset class level and it is therefore appropriate to disclose the risk in the way it is managed.

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	2017 - Movement in interest rate	2017 - Sensitivity of profit before tax	2016 - Movement in interest rate	2016 - Sensitivity of profit before tax
South African Rand	+50 Bps	218,790	+50 Bps	741,791
South African Rand	- 50 Bps	(218,790)	- 50 Bps	(741,791)

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. Macquarie Group is rated as Investment Grade.

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.

Notes to the Financial Statements

32. Risk management (continued)

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.

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, R391m (2016: R212m) 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 R1,117m (2016: R1,106m) which are supported by liabilities of R1,112m (2016: R1,113m) 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 2017 of R1,328m (2016: R1,419m). In addition, the Company has placed margins on proprietary positions with exchanges, the balance at 31 March 2017 being R38m (2016: R51m), 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.

At 31 March 2017, no OTC derivative assets subject to master netting agreement were in issue.

Trade and other receivables

Other assets include R153m (2016: R584m) 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.

32. Risk management (continued)

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.

2017	**Investment grade**	**Below investment grade**	**Past due or individually impaired**	**Total**
Cash and cash equivalents	-	51,208,126	-	51,208,126
Collateral on securities borrowed	996,746,787	251,390,000	-	1,248,136,787
Financial assets designated at fair value	-	3,966,317,104	-	3,966,317,104
Loans at amortised cost	-	560,401,846	-	560,401,846
Derivative financial instruments	-	1,631,049,654	-	1,631,049,654
Trade and other receivables	(51,931)	156,866,444	-	156,814,513
Trade Portfolio Assets	-	897,332,101	-	897,332,101
Intercompany	159,526,558	-	-	159,526,558
	1,156,221,414	**7,514,565,275**	**-**	**8,670,786,689**

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
Trade Portfolio Assets	-	651,180,990	-	651,180,990
Intercompany	461,374,544	-	-	461,374,544
	6,444,819,496	**2,503,640,806**	**-**	**8,948,460,302**

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.

Credit risk on issued debt is assessed on trade date and is monitored for material fluctuations over the life of the trade. During the year there were no material movements in credit risk on issued debt.

32. 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**	**2017 - Sensitivity of profit before tax**	**2016 - Sensitivity of profit before tax**
AUD	+10%	(2,559,966)	(7,047,917)
EUR	+10%	(2,240)	(2,435)
GBP	+10%	(779,575)	(1,106,276)
HKD	+10%	(418,336)	(486,839)
USD	+10%	(6,297,348)	(3,662,796)
AUD	-10%	2,559,966	7,047,917
EUR	-10%	2,240	2,435
GBP	-10%	779,575	1,106,276
HKD	-10%	418,336	486,839
USD	-10%	6,297,348	3,662,796

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	
Equity price risk	2017	2016	2017	2016
Listed and unlisted securities - South Africa	10%	10%	1,238,642	4,913,152
Listed and unlisted securities - South Africa	-10%	-10%	(1,238,642)	(4,913,152)

Figures in Rand	2017	2016

33. Off-balance sheet items

Non-cash collateral

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

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

Collateral pledged	1,140,859,515	1,867,558,644
Liability related to collateral pledged	(931,433,199)	(1,766,981,793)
Collateral received	(523,256,144)	(266,171,905)
Asset related to collateral received	458,727,589	243,920,240
	144,897,761	**78,325,186**

34. 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. More than 20% of the valuation is due to unobservable input.

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:

2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Trade portfolio assets	897,332,101	-	-	897,332,101
Derivative financial instruments	1,328,248,447	299,815,066	2,986,138	1,631,049,651
Financial assets at fair value through profit or loss	-	3,854,682,303	111,634,803	3,966,317,106
	2,225,580,548	**4,154,497,369**	**114,620,941**	**6,494,698,858**
Trade portfolio liabilities	(661,899,221)	-	-	(661,899,221)
Derivative financial instruments	(1,324,471,523)	(1,666,546)	-	(1,326,138,069)
Financial liabilities at fair value through profit or loss	-	(2,487,708,170)	(106,367,290)	(2,594,075,460)
	(1,986,370,744)	**(2,489,374,716)**	**(106,367,290)**	**(4,582,112,750)**

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)**

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

34. 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:

2017	Derivative Financial Instruments	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss
Opening balance	39,961,807	93,537,144	99,005,950
Transfers to Level 2	(36,480,593)	-	-
Purchases	-	22,899,999	-
Disposals	-	(4,750,000)	-
Total gains and losses in profit or loss	(495,076)	(52,340)	7,361,337
	2,986,138	**111,634,803**	**106,367,287**

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	-	-
Disposal	-	(21,500,000)	-
Total gains and losses in profit or loss	441,565	(4,429,109)	(6,099,397)
	39,961,807	**93,537,144**	**99,005,950**

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 of derivative assets from Level 3 to Level 2 of the fair value hierarchy. This is due to the unobservable input driving less than 20% of the valuation.

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

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	2017 - Sensitivity of profit before tax	2016 - Sensitivity of profit before tax
Derivative financial instruments	20%	(1,338,605)	(4,005,007)
Financial assets at fair value through profit or loss	10%	11,163,480	9,353,714
Financial liabilities at fair value through profit or loss	10%	(9,462,703)	(8,878,670)
Derivative financial instruments	-20%	1,410,672	4,462,437
Financial assets at fair value through profit or loss	-10%	(11,163,480)	(9,353,714)
Financial liabilities at fair value through profit or loss	-10%	9,462,703	8,878,670

Figures in Rand	2017	2016

The details of the funds are as follows:

2017	% Holding	Holding R	Assets under management R
Blue Ink Fixed Income Fund	7.7%	68,047,356	884,257,752
Blue Ink Long Short Aggressive Fund	7.1%	44,782,035	634,087,119

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

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

35. Future Commitments

Operating lease commitments

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

Lease of premises	2017	2016
No later than 1 year	3,603,985	3,364,675
Later than 1 year but less than 5 years	9,503,776	13,191,902
	13,107,761	**16,556,577**

36. Segment reporting

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

2017	Trading	Treasury	Corporate Head Office	Total
Net interest income/(loss)	145,319,991	90,014,684	7,761,883	243,096,558
Net trading gain/(loss)	1,121,182	(71,634,823)	(32,388,963)	(102,902,604)
Net profit/(loss)	42,406,186	(1,436,328)	(45,812,705)	(4,842,847)

2017	Trading	Treasury	Corporate Head Office	Total
Net Asset Value at year end	2,051,509	(6,064,612)	115,221,094	111,207,991

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Figures in Rand			2017	2016

2016	**Trading**	**Treasury**	**Corporate Head Office**	**Total**
Net interest income	10,289,801	52,114,919	6,135,977	68,540,697
Net trading (loss)/gain	(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