MACQUARIE SECURITIES SOUTH AFRICA LIMITED

Incorporated in South Africa
Registration Number 2006/023546/06

MACQUARIE

Annual Report
for the financial year ended 31 March 2019

Macquarie Securities South Africa Limited

General Information
for the financial year ended 31 March 2019

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Macquarie Securities South Africa Limited undertakes Equity Derivative Trading, Origination and Equity Finance activities.
Directors	Duncan MacRobert Graham Crawford Nikolai Mavrodinov Peter Gordon Timothy Leclercq
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
Auditors	PricewaterhouseCoopers Inc. Chartered Accountants (SA) Registered Auditors
Secretary	David Scheppening
Company registration number	2006/023546/06

Level of assurance

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

Preparers

Sachin Bansal and Vikas Bahl
Chartered Accountants (India)

2019 Annual Report
Contents

Report of the Audit Committee
for the financial year ended 31 March 2019

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

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

Internal audit

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

Internal control

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

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

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

Macquarie Securities South Africa Limited

Report of the Audit Committee
for the financial year ended 31 March 2019

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.

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.

Emphasis of significant matters

The Committee has reviewed the Company's financial position and ability to operate as a going concern. Discussions with management have included the forecasts, liquidity analysis and support from the Macquarie Group through equity injections and subordinated loans. The Committee is satisfied that the Company can continue to operate for at least the next 12 months.

The recognition of the deferred tax asset has also been reviewed and the Committee agrees with the treatment of this asset. The deferred tax asset related to assessed losses has been recognised to the extent that future taxable profits are probable. This has been based on forecast revenue and expenses for a 5 year period. Deferred tax asset has not been recognised for expected profits beyond this 5 year period due to the uncertainty in forecasting beyond this time period.

After a comprehensive assessment, the committee is satisfied with the reasonability of the remaining amount of deferred tax assets as accounted for in the annual financial statements.

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 2019 to the Board.

Timothy Leclercq
Chairperson: Board Audit Committee

Report of Corporate Governance

for the financial year ended 31 March 2019

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 two executive directors, Graham Crawford 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"). All members of the BAC are independent non executive directors of MSSA, who also sit on the Board of MSSA. Tim Leclercq is chairman of the BAC.

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. Management are comfortable that this internal approach to risk ensures 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.

Certificate by Company Secretary

In accordance with the provisions of section 88(2)(e) of the South African Companies Act 71 of 2008 (the act), I certify that for the year ended 31 March 2019 the company has lodged with the registrar of companies all such returns as are required of a company in terms of the act, and that all such returns are true, correct and up to date.

D. Scheppening

David Scheppening

Company Secretary

Date 27 June 2019

Directors' Report
for the financial year ended 31 March 2019

The Directors of Macquarie Securities South Africa Limited (the Company) present their statement to the shareholder together with the audited financial statements of the Company for the financial year ended 31 March 2019.

Directors

The following persons were the Directors of the Company at any time during or since the end of the financial year to the date of this report:

Name of Director	Appointed on	Resigned on
Duncan MacRobert (Non Executive)	28 March 2014	-
Graham Crawford	10 November 2009	-
Nikolai Mavrodinov	29 September 2015	-
Peter Gordon (Non Executive)	28 March 2014	-
Timothy Leclercq (Non Executive)	28 March 2014	-
William Phillips	9 August 2017	06 July 2018

Principal activities

The principal activities of the Company during the financial year ended 31 March 2019 were the participant in institutional (hedging, proprietary trading) markets, in a number of Equity Derivatives including Options, Futures and underlying stocks. It operates in South Africa with staff based in South Africa.

Results

The Financial Report for the current and previous financial years, and the results herein, have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with the Companies Act No. 71 of 2008. The accounting policies have been applied consistently compared to the prior year except for the presentation changes. Current and previous year statement of financial position has been presented in order of liquidity to provide more relevant and reliable information.

The profit/(loss) attributable to ordinary equity holders for the current financial year was R99.4m (2018: (R121.5m)).

State of affairs

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

Review of operations

The profit attributable to ordinary equity holders of the Company for the current financial year was R99.4m, as compared to R121.5m loss in the previous financial year.

The primary reason for the increase in current financial year profit is the increase in net trading income by R164m and a decrease in operating expenses by R41.1m.

Net operating income for the current financial year was R157.7m, an increase of 1,086 percent from R13.3m in the previous financial year.

Total operating expenses for the current financial year were R85.3m, an decrease of 32.6 percent from R126.5m in the previous financial year.

Directors' Report
for the financial year ended 31 March 2019 (continued)

Going concern
The directors have reviewed assessments and concluded that the Company has adequate financial resources to continue in operation for the foreseeable future. In addition, 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, including access to short term borrowing facilities from group companies. Accordingly the financial statements have been prepared on a going concern basis.

Adverse changes and compliance
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.

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

Independent auditor
PricewaterhouseCoopers Inc. continued in office as auditors for the Company for 2019.

At the AGM, the shareholder will be requested to reappoint PricewaterhouseCoopers Inc. as the independent external auditors of the Company and to confirm Dilshad Khalfey as the designated lead audit partner for the 2020 financial year.

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 14 to 53, which have been prepared on the going concern basis, were approved by the board on 27 June 2019, and were signed on its behalf by:

Nikolai Mavrodinov Director	Peter Gordon Director

Cape Town
27 June 2019

Directors' Responsibilities and Approval
for the financial year ended 31 March 2019

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 Company 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 and the requirements of the Companies Act, 71 of 2008. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 71 of 2008 and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the 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 Company 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 2020 and, in light of this review and the current financial position, they are satisfied that the Company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the Company's financial statements. The financial statements have been examined by the Company's external auditors and their report is presented on pages 9 to 13.

The financial statements set out on pages 14 to 53, which have been prepared on the going concern basis, were approved by the board on 27 June 2019 and were signed on their behalf by:

Nikolai Mavrodinov

Peter Gordon

Independent auditor's report

To the Shareholders of Macquarie Securities South Africa Limited

Report on the audit of 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 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards 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 14 to 53 comprise:

- the statement of financial position as at 31 March 2019;
- the income statement for the year then ended;
- the statement of 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 sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

PricewaterhouseCoopers Inc.,
5 Silo Square, V&A Waterfront, Cape Town 8002, P O Box 2799, Cape Town 8000
T: +27 (0) 21 529 2000, F: +27 (0) 21 529 3300, www.pwc.co.za

Our audit approach

Overview

Overall materiality

- *Overall materiality: R 3,617,211, which represents 5% of profit before tax.*

Audit scoping

- *The Company's IT systems are hosted centrally by its ultimate holding company (Group). The Group engagement team tested these IT systems centrally, which we rely on as part of our testing approach.*

Key audit matters

- *Recoverability of deferred tax asset on assessed losses*

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	*R 3,617,211*
How we determined it	*5% of profit before tax*
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-oriented companies in this sector.*

How we tailored our audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

The Company's IT systems are hosted centrally by its ultimate holding company (Group). The Group engagement team tested these IT systems centrally, which we rely on as part of our testing approach.

In establishing the overall approach to the audit, we determined the extent of the work that needed to be performed by us, as the engagement team, and the Group engagement team in order to issue our audit opinion on the financial statements of the Company. Where the work was performed by the Group engagement team, we determined the level of involvement necessary in the audit work of those business activities to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the financial statements as a whole.

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***
Recoverability of deferred tax asset on assessed losses *A deferred tax asset is recognised to the extent that it is probable that taxable profit will be available against which a deductible temporary difference or unused tax losses or tax credits can be utilised. The carrying value of the deferred tax asset recognised on assessed losses as at 31 March 2019 was R64,6 million (refer to note 14 to the financial statements).* *In the current year, the company realised a profit before tax of R72 million. Management performed an assessment to determine whether sufficient future taxable profit will be generated to utilise the unused tax losses. This assessment resulted in an increase of R27 million to the company's deferred tax asset available for set off against future taxable income from the prior year.* *In assessing the future taxable profits, management has made estimates based on assumptions in relation to the future taxable income of the entity, thereby concluding on the recoverability of these assets.* *The judgements and assumptions made by management in their assessment include the forecast contract cash flows, the growth rates applied to those cash flows, new products and strategies as well as the entity's ability to execute these plans.* *Due to the significant estimation uncertainty related to the cash flows, the assessment of the recoverability of deferred tax asset on assessed losses is considered to be a matter of most significance to the current year audit.*	*Our procedures included, inter alia, the following:* • *We evaluated the assessments performed by management with regard to future taxable income, and the realisation of the deferred tax asset, by comparing the cash flows used in their assessment to their five year cash flow forecast and approved business plans. The forecast reflects that the full deferred tax asset will be utilized in the forecast period;* • *We assessed management's ability to perform reasonable forecasts by comparing previous budgets to actual results. Management's previous forecasts were within a reasonable range of the actual performance; and* • *We performed a sensitivity analysis by adjusting the key assumption (i.e. growth rate assumption in respect of new products and trading strategies) with a reasonable percentage to determine whether it would affect the utilisation of the deferred tax asset. The results of the adjustment still allowed for the assessed loss to begin to be utilised within the forecasted period.*

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled *Macquarie Securities South Africa Limited 2019 Annual Report*, which includes the Directors' Report, the Report of the Audit Committee and the Certificate by Company Secretary as required by the Companies Act of South Africa. The 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, 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 financial 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 have 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 judgement 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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 12 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: D Khalfey
Registered Auditor
Cape Town
27 June 2019

Income statement
for the financial year ended 31 March 2019

Figures in Rand	Notes	2019	2018
Interest and similar income		**546,509,186**	498,039,784
Interest expense and similar charges		**(470,842,308)**	(400,464,027)
Net interest income	3	**75,666,878**	97,575,757
Fee and commission income		**9,002,812**	5,412,556
Fee and commission expense		**(3,516,588)**	(2,080,961)
Net fee and commission income	3	**5,486,224**	3,331,595
Net trading income/(loss)	3	**76,577,507**	(87,607,656)
Other operating income and charges	3	**(79,998)**	-
Net operating income		**157,650,611**	13,299,696
Employment expenses	3	**(29,071,067)**	(37,394,542)
Occupancy expenses	3	**(8,412,227)**	(9,435,838)
Non-salary technology expenses	3	**(1,864,927)**	(2,289,041)
Other operating expenses	3	**(45,958,179)**	(77,366,595)
Total operating expenses		**(85,306,400)**	(126,486,016)
Operating profit/(loss) before income tax		**72,344,211**	(113,186,320)
Income tax benefit/(expense)	4	**27,094,826**	(8,277,435)
Profit/(loss) after income tax		**99,439,037**	(121,463,755)
Profit/(loss) attributable to ordinary equity holder of Macquarie Securities South Africa Limited		**99,439,037**	(121,463,755)

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

Statement of comprehensive income
for the financial year ended 31 March 2019

Figures in Rand	2019	2018
Profit/(loss) after income tax	**99,439,037**	(121,463,755)
Other comprehensive income	**-**	-
Total comprehensive income/(loss)	**99,439,037**	(121,463,755)
Total comprehensive income/(loss) attributable to ordinary equity holder of Macquarie Securities South Africa Limited	**99,439,037**	(121,463,755)

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

Statement of financial position
as at 31 March 2019

Figures in Rand	Notes	2019	Restated 2018	Restated 1 April 2017
Assets				
Cash and bank balances	5	**5,179,549**	2,574,327	2,290,124
Collateral on securities borrowed and reverse repurchase agreements	6	**2,054,130,500**	536,620,705	1,248,136,787
Trading assets	7	**4,349,163,954**	122,999,616	897,332,101
Derivative assets	28	**2,282,797,591**	932,090,346	1,625,073,083
Margin money and settlement assets	8	**328,897,621**	64,841,833	201,789,884
Financial Investments	9	**3,539,030,126**	2,584,187,877	3,966,317,106
Loan assets	10	**149,475,000**	153,191,259	719,928,401
Other assets	11	**67,160,863**	10,567,940	3,942,632
Property, plant and equipment	12	**7,122,114**	12,521,222	18,086,607
Interests in associates	13	**300**	420	420
Deferred tax assets	14	**67,750,073**	40,473,161	48,750,469
Total assets		**12,850,707,691**	4,460,068,706	8,731,647,614
Liabilities				
Collateral on securities lent and repurchase agreements	6	**6,430,607,498**	25,556,000	690,517,516
Trading liabilities	15	**2,045,877,464**	742,585,541	661,899,221
Derivative liabilities	28	**196,653,675**	130,574,088	1,326,138,069
Margin money and settlement liability	16	**340,010,203**	48,535,568	910,360,066
Financial liabilities at fair value through profit or loss	17	**3,604,818,507**	2,458,328,277	2,764,244,857
Other liabilities	18	**49,367,931**	20,700,789	19,250,001
Intercompany financial liabilities at fair value through profit and loss	19	**-**	948,767,673	2,252,966,164
Provisions	20	**634,235**	1,253,103	1,040,298
Total liabilities		**12,667,969,513**	4,376,301,039	8,626,416,192
Net assets		**182,738,178**	83,767,667	105,231,422
Equity				
Share capital	21	**290,327,100**	290,327,100	190,327,100
Reserves		**-**	-	4,299,502
Accumulated losses	22	**(107,588,922)**	(206,559,433)	(89,395,180)
Total equity attributable to ordinary equity holder of Macquarie Securities South Africa Limited		**182,738,178**	83,767,667	105,231,422
Total equity		**182,738,178**	83,767,667	105,231,422

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

Statement of changes in equity
for the financial year ended 31 March 2019

Figures in Rand	Notes	Share capital	Reserves	Accumulated losses	Total equity
Balance as at 1 April 2017		190,327,100	4,299,502	(89,395,180)	105,231,422
Loss after income tax		-	-	(121,463,755)	(121,463,755)
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income, net of tax		-	-	(121,463,755)	(121,463,755)
Transactions with ordinary equity holders in their capacity					-
as ordinary equity holders:					-
Contributions of equity, net of transaction costs		100,000,000	-	-	100,000,000
Transfer between reserves		-	(4,299,502)	4,299,502	-
Balance as at 31 March 2018		**290,327,100**	**-**	**(206,559,433)**	**83,767,667**
Change on the initial application of IFRS 9	2(i)	-	-	**(468,526)**	**(468,526)**
Restated balance as at 1 April 2018		**290,327,100**	**-**	**(207,027,959)**	**83,299,141**
Profit after income tax		-	-	**99,439,037**	**99,439,037**
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income, net of tax		-	-	**99,439,037**	**99,439,037**
Balance as at 31 March 2019		**290,327,100**	**-**	**(107,588,922)**	**182,738,178**

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

Macquarie Securities South Africa Limited

Statement of cash flows
for the financial year ended 31 March 2019

Figures in Rand	Notes	2019	Restated 2018
Cash flows from/(used in) operating activities			
Profit/ (loss) before income tax		**72,344,211**	(113,186,320)
Adjustments to profit after income tax:			
Interest and similar income	3	**(546,509,186)**	(498,039,784)
Interest expense and similar charges	3	**470,842,308**	400,464,027
Depreciation	3	**5,422,351**	5,565,385
Share based payment expense	3	**188,560**	416,798
Provision for annual leave	3	**268,029**	350,954
Preference share valuation adjustments		**-**	(14,692,986)
Other operating income and charges		**79,998**	-
Impairment of loans		**-**	23,379,889
Changes in working capital:			
Collateral on securities		**4,887,541,703**	46,554,566
Change in net trading portfolio		**(2,922,872,415)**	855,018,805
Change in net derivative financial instruments		**(1,284,627,658)**	(502,581,244)
Change in net Margin money and settlement		**16,938,462**	(708,033,557)
Change in financial Investments		**(954,842,249)**	1,553,304,058
Change in other assets and labilities		**(28,216,618)**	(53,506,995)
Change in loan assets		**3,716,259**	4,511,105
Change in financial liabilities at fair value through profit or loss		**1,146,490,230**	164,252,818
Change in provision for employment entitlements		**(618,868)**	212,805
Cash generated from operations		**866,145,117**	1,163,990,324
Interest and similar income received		**535,134,206**	295,059,680
Interest expense and similar charges paid		**(460,363,570)**	(402,485,930)
Net cash from operating activities		**940,915,753**	1,056,564,074
Cash flows used in investing activities			
Settlement of loan		**-**	560,401,844
Payments for acquisition of property, plant and equipment	12	**(23,243)**	-
Net cash (used in)/from investing activities		**(23,243)**	560,401,844
Cash flows used in financing activities			
Proceeds from the issue of ordinary shares		**-**	100,000,000
Proceeds from issue of redeemable preference share		**-**	140,000,000
Repayment of debt issued	19	**(948,767,673)**	(1,477,712,440)
Repayment of preference share		**-**	(440,000,000)
Preference share dividend received		**-**	31,805,274
Net cash used in financing activities		**(948,767,673)**	(1,645,907,166)
Net increase in cash and cash equivalents		**(7,875,163)**	(28,941,248)
Cash and cash equivalents at the beginning of the financial year		**22,266,880**	51,208,128
Cash and cash equivalents at the end of the financial year	23	**14,391,717**	22,266,880

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

Notes to the financial statements for the financial year ended 31 March 2019

Note 1. Company information

The Company is incorporated and domiciled in South Africa. The address of the Company's registered office and principal place of business is Level 2, Great Westerford, 240 Main Road, Rondebosch, Cape Town 7700.

The principal activities of the Company during the financial year ended 31 March 2019 were the participant in institutional (hedging, proprietary trading) markets, in a number of Equity Derivatives including Options, Futures and underlying stocks. It operates in South Africa with staff based in South Africa.

Note 2. Summary of significant accounting policies

i) Basis of preparation

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

These financial statements 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.

During the year, presentation changes has been done in the financial statement in line with Consolidated Macquarie Group financial statements. The Company has made the following presentation changes to provide more relevant and reliable information:

- change in accounting policy to present the statement of financial position in order of liquidity. Doing away with the current/non-current distinction resulted in the aggregation of some line items, but in total no changes were made to the amounts. To adhere to the requirement of IAS 1, three statement of financial position have been presented for the change in accounting policy;
- current and non current disclosure provided below the respective notes of statement of financial position;
- separate statement of comprehensive income included in the financial statement; and
- a change in the basis of reporting cash flows from operating activities from the direct to indirect method;

Financial statements are presented in South African Rands.

Basis of measurement

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.

Critical accounting estimates and significant judgements

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the management to exercise judgement in the process of applying the accounting policies. The notes to the financial statements set out areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the Company and the financial statements such as:

- determining the appropriate business model for a group of financial assets and assessing whether the cash flows generated by an asset constitute solely payment of principal and interest (SPPI) (notes 2 (vi));
- measurement of Expected Credit Loss (ECL) including the choice of inputs, estimates and assumptions relating to information about past events, current conditions and forecast of economic conditions (notes 2(xiii) and 10);
- fair value of financial assets and financial liabilities (note 9 and17);
- recoverability of deferred tax assets and measurement of current tax liabilities (notes 2(iv), 4 and 14).

Further information on specific judgements and assumptions made and estimates applied, are explained within the notes to the financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events.

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

New Accounting Standards, amendments to Accounting Standards that are not yet effective

IFRS 16 Leases

IFRS 16 Leases replaces the IAS 17 Leases for the Company's financial reporting period commencing on 1 April 2019. Where a contract contains a lease, the lessee is required to recognize, a 'right-of-use' (ROU) asset and a related lease liability on its financial position. In addition, interest expense will be recognised on the lease liability and depreciation on the ROU asset. Classification of leases from the Company's perspective as lessor is expected to largely remain unchanged under IFRS 16.

As a lessee, the standard will effect the accounting of the Company's pending leases. As at reporting data, the Company has operating lease commitments (refer note 32), however the Company has not yet determined to what extent these commitments will result in recognition of asset and liability and profit impact.

Notes to the financial statements
for the financial year ended 31 March 2019 (continued)

Note 2. Summary of significant accounting policies (continued)

i) Basis of preparation (continued)

New Accounting Standards, amendments to Accounting Standards that are not yet effective (continued)

IFRS 16 *Leases (continued)*

As permitted by IFRS 16, the Company has elected to record a transition adjustment to its opening financial position and retained earnings at 1 April 2019 with no restatement of comparative information.

The transition will not have a material impact on the Company's minimum regulatory capital requirements.

Revised IFRS Conceptual Framework

The IASB has issued the revised IFRS Conceptual Framework ("Framework") for financial reporting.

The main purpose of the Framework is to assist the IASB in developing accounting standards and assist financial report preparers to develop accounting policies when there is no specific or similar standard that addresses a particular issue.

Amendments include the definition and recognition criteria for assets, liabilities, income and expenses, and other relevant financial reporting concepts. The Framework is mandatorily effective for Macquarie's annual reporting periods beginning on or after 1 April 2020. The Company is currently assessing the impact of the Framework and timing of adoption.

IAS 19 *Employee Benefits*

An amendment to IASB 19 Employee Benefits (IAS 19) specifies how to account for defined benefit plans when a plan amendment, curtailment or settlement occurs during a reporting period. The amendment requires the use of assumptions for the remeasurement of the net defined benefit liability or asset to determine the current service cost and the net interest for the remainder of the reporting period after a plan event occurs. The amendment also clarifies that, when a plan event occurs, the past service cost or a gain or loss on settlement is to be recognised separately from its assessment of the asset ceiling.

The amendment to IAS 19 will apply to the Company from 1 April 2019 and is not expected to have a material impact to the Company's financial statements.

Whilst the Company is continuing to consider the impact of other amendments to existing standards and new standards that have been issued but are not yet effective, the impact thereof is not expected to result in a material impact.

New Accounting Standards and amendments to Accounting Standards that are effective in the current financial year

IFRS 9 *Financial Instruments*

IFRS 9 replaced IAS 39 - Financial Instruments: Recognition and Measurement from 1 April 2018. IFRS 9 resulted in changes to accounting policies covering the classification, measurement and impairment of financial assets and the application of hedge accounting. The Company has applied the requirements of IFRS 9 in the current financial year beginning 1 April 2018.

Transition

As permitted by IFRS 9, the Company has not restated its comparative financial statements and has recorded transition adjustments to its opening financial position and retained earnings at 1 April 2018 for the impact of the adoption of the IFRS 9 requirements.

The transition adjustment has decreased the Company's shareholder's equity by ZAR 468,526 after tax and this has not materially impacted the Company's minimum regulatory capital requirements.

The adoption of the Classification and Measurement requirements of the standard did not result in significant measurement differences when compared to those under IAS 39 except few presentation changes as disclosed under note 2 (xxi).

Notes to the financial statements
for the financial year ended 31 March 2019 (continued)

Note 2. Summary of significant accounting policies (continued)

i) Basis of preparation (continued)

New Accounting Standards and amendments to Accounting Standards that are effective in the current financial year (continued)

Impairment allowance IAS 39 and IFRS 9

On adoption of IFRS 9, there was no material impact on the impairment allowance on the financial assets on reclassification of financial assets and implementation of IFRS 9's new ECL requirements. Hence, detailed disclosure has not been given in the financial statements.

Financial assets subject to an ECL provision is the loan assets and other assets.

The key changes in significant accounting policies from the transition to IFRS 9 are included within the relevant sections of this note and other notes in this Financial Report. Accounting policies applicable to the prior period items of financial assets, financial liabilities, incomes and expenses have also been provided and highlighted in relevant sections for comparability.

IFRS 7 *Financial Instruments: Disclosures*

IFRS 7 has been amended to include more extensive qualitative and quantitative disclosure relating to IFRS 9, such as new financial instrument classification categories which will impact disclosures related to the statement of financial performance as well as introducing new qualitative and quantitative disclosure requirements for the three stage impairment model. The amendment also includes new hedge accounting disclosures and transition disclosures related to the adoption of IFRS 9.

Amendments to IFRS 9 - Prepayments features with negative compensation

IFRS 9 amended to permit entities to measure at amortised cost or fair value through OCI, particular financial assets that would otherwise have contractual cash flows that meet the SPPI test but do not meet that condition only as a result of a prepayment feature. This is subject to meeting other conditions, such as the nature of the business model relevant to the financial asset.

The requirement is effective for annual periods beginning on or after 1 January 2019. There has been no impact of this amendment to the Company.

Amendments to IAS 28 – Investments in Associates and Joint Ventures

The amendment clarifies the accounting for long-term interests (debt instruments) in an associate, which in substance form part of the net investment in the associate, but to which the equity method is not applied. IFRS 9's ECL requirements are applied to such long term interests before applying the loss allocation and impairment requirements in IAS 28 Investments in Associates and Joint Ventures.

The requirement is effective for annual periods beginning on or after 1 January 2019.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 replaces all the previous guidance on revenue recognition from contracts with customers. It requires the identification of discrete performance obligations within a customer contract and an associated transaction price that is allocated to these obligations. Revenue is recognised upon satisfaction of these performance obligations, which occur when control of the goods or services are transferred to the customer.

The Company adopted IFRS 15 on 1 April 2018. On conclusion of the transition project, no material adjustment to opening retained earnings was recognised as the amendments to accounting policies did not result in significant changes to the timing or amount of revenue recognised at 31 March 2018.

The key changes in significant accounting policies from the transition to IFRS 15 are included within the relevant sections of this note and other notes in this Financial Report.

Notes to the financial statements
for the financial year ended 31 March 2019 (continued)

Note 2. Summary of significant accounting policies (continued)

ii) Foreign currency translations

Functional and presentation currency

Items included in the financial statements of the foreign operation are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The Company's financial statements are presented in South African Rand (the presentation currency), which is also the Company's functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transactions date. Foreign exchange gain and loss resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

iii) Revenue and expense recognition

Net Interest income and expense

Interest income and expense is recognised using the effective interest rate (EIR) method for financial assets, including finance lease assets and liabilities carried at amortised cost. The EIR method calculates the amortised cost of a financial instrument at a rate that discounts estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or liability. Fees and transaction costs that are integral to the lending arrangement are recognised in the income statement over the expected life of the instrument in accordance with the EIR method.

When the estimates of payments or receipts of a financial instrument are subsequently revised, the carrying amount is adjusted to reflect the actual or revised cash flows with the re-measurement recognised as part of interest income (financial assets) or interest expense (financial liabilities) in the income statement.

Net trading income

Net trading income comprises gains and losses related to trading assets, liabilities and derivative including all realised and unrealised fair value changes, dividends and foreign exchange differences.

Fair value gains and losses on valuation, initial costs on transaction date and gains and losses on disposal or redemption are recognised as trading income.

Dividends

Dividends are recognised in the income statement in net trading income 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.

Other operating income and charges

Other operating income and charges include credit impairment charges on financial instruments, other impairment charges on equity interests in associates and other income.

Impairment losses/reversal of impairment losses are not reported separately from other changes in fair value.

Gain or loss on change of control and significant influence and reclassifications to/from held for sale also forms part of investment income.

Fee and commission share from/shared with related entities

Fee shared with related entities is recognised as per the agreed fee sharing arrangement

Fee expense

Management fees and cost recoveries are charged to the Company in respect of services provided by other Macquarie group entities as per the agreed cost sharing arrangement. Such expenses are recognised on an accrual basis in accordance with the standard recovery methodology applied by the servicing entity.

Expenses

Expenses are recorded on matching principal basis and, if not paid at the end of the reporting period, are reflected in the Statement of financial position as a payable.

Notes to the financial statements
for the financial year ended 31 March 2019 (continued)

Note 2. Summary of significant accounting policies (continued)

iv) Taxation

Income tax

The income tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated on the basis of tax laws enacted or substantively enacted at the financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts to be paid to the tax authorities.

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

Deferred tax assets are recognised when temporary differences arise between the tax bases of assets and liabilities and their respective carrying amounts which give rise to a future tax benefit, or when a benefit arises due to unused tax losses. Deferred tax assets are recognised only to the extent that it is probable that future taxable amounts will be available to utilise those temporary differences or tax losses. Deferred tax liabilities are recognised when such temporary differences give rise to taxable amounts that are being payable in future periods. Deferred tax assets and liabilities are recognised at the tax rates expected to apply when the assets are recovered or the liabilities are settled under enacted or substantivelv enacted tax law.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset when there is a legally enforceable right to offset and an intention to either settle on a net basis, or realise the asset and settle the liability simultaneously.

The Company exercise judgement in determining whether deferred tax assets, particularly in relation to tax losses, are probable of recovery. Factors considered mainly include whether future taxable profits are expected to be sufficient to allow recovery of deferred tax assets.

The Company undertakes transactions in the ordinary course of business where the income tax treatment requires the exercise of judgement. The Company estimates its tax liability based on its understanding of the tax law.

Management applies a 5 year period to forecast revenue and expenses to estimate probable taxable income due to uncertainty of forecast beyond 5 years.

v) Cash collateral on securities borrowed/lent and reverse repurchase/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 financial positions 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 financial positions 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 income statement, 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.

Notes to the financial statements
for the financial year ended 31 March 2019 (continued)

Note 2. Summary of significant accounting policies (continued)

vi) Financial instruments

Recognition of financial instruments

Financial instruments are recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is initially recognised at fair value adjusted for transaction costs that are incremental and directly attributable to the acquisition or issuance of the financial asset. Transaction costs relating to financial instruments carried at FVTPL are expensed in the income statement.

De-recognition of financial instruments

Financial assets

Financial assets are de-recognised from the statement of financial position when:
– the rights to cash flows have expired and substantially all the risks and rewards of ownership are transferred; or
– where the Company has transferred its contractual rights to receive cash flows on the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset.

In transactions where the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, the asset is derecognised if control over the asset is lost. Any interest in the transferred and derecognised financial asset that is created or retained by the Company is recognised as a separate asset or liability. In transfers where control over the asset is retained, the Company continues to recognise the asset to the extent of its continuing involvement as determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities

Financial liabilities are de-recognised from the statement of financial position when the Company's obligation has been discharged, cancelled or has expired.

Gains and losses on the derecognition of non-trading related financial assets and liabilities are recognised as other income or expense disclosed as part of other operating income and charges in the income statement.

Modification of financial instruments

A financial instrument is modified when its original contractual cash flows are renegotiated or modified. A financial instrument that is renegotiated is derecognised if the existing agreement is cancelled and a new agreement is made on substantially different terms or if the existing terms are modified such that the renegotiated financial instrument is a substantially different financial instrument. Where the modification results in de-recognition of the original financial instrument, the new financial instrument is recorded initially at its fair value and the resulting difference is recorded in other income in the income statement. For financial instruments measured at amortised cost, and for financial assets measured at fair value through OCI, when the modification does not result in de-recognition, a gain or loss is recognised in other income in the income statement as the difference between the financial instrument's original contractual cash flows and the modified cash flows discounted at the original EIR.

Classification and subsequent measurement

Financial assets

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

Business model assessment

The Company determines the business model at the level that reflects how groups of financial assets are managed. In determining the business model, all relevant evidence that is available at the date of the assessment is used including:

(i) how the performance of the financial assets held within that business model is evaluated and reported to the Company's senior management and senior executives;
(ii) the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
(iii) how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

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

Notes to the financial statements
for the financial year ended 31 March 2019 (continued)

Note 2. Summary of significant accounting policies (continued)

vi) Financial instruments (continued)

Solely payment of principal and interest (SPPI)

Key considerations for the SPPI assessment include the timing of the contractual cash flows and the interest component, where interest primarily reflects the time value of money and the credit risk of the principal outstanding.

Amortised cost

A financial asset is subsequently measured at amortised cost using the EIR method if the following conditions are met:
(i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
(ii) the contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI requirements; and
(iii) the financial asset has not been designated to be measured at FVTPL (DFVTPL).

Interest income determined in accordance with the EIR is recognised in interest income in the income statement. Gains and losses arising from the derecognition of financial assets that are measured on an amortised cost basis are recognised in other income as part of other operating income and charges in the income statement.

All financial assets held with Macquarie group entities are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI requirements. Hence, these are measured are measured at amortised cost.

Fair value through other comprehensive income (FVOCI)

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

(i) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets,
(ii) the contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI requirements; and

(iii) the financial asset has not been designated to be measured at FVTPL (DFVTPL).

Subsequent changes in fair value are recognised in OCI, with the exception of interest revenue, which is recognised as part of interest income in the income statement, ECL, which is recognised as a credit impairment charge in other operating income and charges, and foreign exchange gains and losses, which are recognised in net trading income in the income statement. When debt financial assets at FVOCI are derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI and recognised in investment income as part of other operating income and charges in the income statement.

Fair value through profit or loss (FVTPL)

Financial assets that do not meet the criteria to be measured at amortised cost or FVOCI are measured at FVTPL, with all changes in fair value recognised in investment income as part of other operating income and charges in the income statement. For the purposes of the Company's financial statements, the FVTPL classification consist of the following:

- Financial assets that are held for active trading (held for trading or 'HFT'). This classification includes all derivative financial assets;
- financial assets that have been designated to be measured at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch (DFVTPL); and
- financial assets in a business model whose objective is achieved by managing the financial assets on a fair value basis or financial assets that fail the SPPI test (FVTPL).

Changes in the fair value of HFT instruments are recognised in net trading income. Changes in the fair value of financial assets that are DFVTPL and FVTPL are recognised as investment income as part of other operating income and charges in the income statement.

The interest component of financial assets that are classified as HFT, DFVTPL and FVTPL are all recognised in interest income.

Equity financial assets are measured at FVTPL.

Notes to the financial statements
for the financial year ended 31 March 2019 (continued)

Note 2. Summary of significant accounting policies (continued)

vi) Financial instruments (continued)

Reclassification of financial instruments

During the comparative period, prior to the adoption of IFRS 9, the Company's financial assets were classified into the following categories:

– Loans and receivables: being receivables that were non-derivative financial assets with fixed or determinable payments and that were not quoted in an active market. The measurement and recognition of gains and losses of such assets aligns with that for financial assets classified as at amortised cost in terms of IFRS 9;

– Held for trading financial assets, being those financial assets that were held for trading purposes. The measurement and recognition of gains and losses of such assets aligns with the HFT category in terms of IFRS 9;

– Available for sale, being financial assets that were initially carried at fair value plus transaction costs. Gains and losses arising from subsequent changes in fair values were recognised through OCI in the available for sale reserve in equity until the asset was derecognised or impaired, at which time the cumulative gain or loss was recognised in the income statement. Interest income on available for sale debt financial assets was aligned with the treatment for financial assets classified as FVOCI under IFRS 9

When the fair value of an available for sale equity financial asset was less than its initial carrying amount and there was objective evidence of impairment, the cumulative loss was recognised out of OCI and in investment income in the income statement. Such impairment losses were not permitted to be reversed through the income statement;

– Other financial assets designated at FVTPL could be so designated if:

• the asset contained embedded derivatives which should otherwise have been separated and carried at fair value;

• the asset was part of a group of financial assets and financial liabilities managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy, and reporting is provided on that basis to key management personnel; or

• doing so eliminated or significantly reduced a measurement or recognition inconsistency that would otherwise have arisen.

Embedded derivatives in financial assets classified as loans and receivables and available for sale were required to be separately accounted for at fair value through profit or loss.

Financial liabilities

Financial liabilities are subsequently measured at amortised cost, unless they are either held for trading purposes, in which case they are classified as HFT, or have been designated to be measured at FVTPL (DFVTPL). A financial liability may be DFVTPL if:

– the liability contains embedded derivatives which must otherwise be separated and carried at fair value; or
– doing so eliminates or significantly reduces an accounting mismatch.

All derivative liabilities are classified as HFT. Gains and losses arising from the derecognition of financial liabilities that are subsequently measured on an amortised cost basis are recognised in other income as part of other operating income and charges in the income statement. The changes in fair value of financial liabilities that are classified as HFT are recognised as part of net trading income. Changes in the fair value of financial liabilities that are classified as DFVTPL are recognised in other income as part of other operating income and charges. The interest component of financial liabilities that are classified as HFT or DFVTPL is recognised in interest expense.

Financial liabilities are subsequently measured at amortised cost, unless they are either held for trading purposes, in which case they are classified as HFT, or have been designated to be measured at FVTPL (DFVTPL). A financial liability may be DFVTPL if:

– the liability contains embedded derivatives which must otherwise be separated and carried at fair value; or
– doing so eliminates or significantly reduces an accounting mismatch.

All derivative liabilities are classified as HFT. Gains and losses arising from the derecognition of financial liabilities that are subsequently measured on an amortised cost basis are recognised in other income as part of other operating income and charges in the income statement. The changes in fair value of financial liabilities that are classified as HFT are recognised as part of net trading income. Changes in the fair value of financial liabilities that are classified as DFVTPL are recognised in other income as part of other operating income and charges. The interest component of financial liabilities that are classified as HFT or DFVTPL is recognised in interest expense.

Notes to the financial statements
for the financial year ended 31 March 2019 (continued)

Note 2. Summary of significant accounting policies (continued)

vii) 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.
Property, plant and equipment are stated at historical cost(which includes directly attributable borrowing costs) less accumulated depreciation and accumulated impairment loss, if any. Property, plant and equipment are reviewed for indicators of impairment (or possible reversal of previous impairment losses) at each reporting date. Historical cost includes expenditure directly attributable to the acquisition of the asset.
If an asset's carrying value is greater than its recoverable amount, the carrying amount is written down immediately to its recoverable amount. Adjustment arising from such items and on disposal of property, plant and equipment are recognised in the income statement.

Depreciation on assets is calculated on a straight-line basis to allocate the difference between cost and residual values over their estimated useful lives, at the following rates:

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 year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

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

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

viii) Trading assets and liabilities

Trading assets (long positions) comprise financial instruments such as equity securities with the intent of being actively traded. Trading liabilities comprise obligations to deliver assets (short positions) across the same trading categories and which the Company intents to actively trade.

Trading assets and liabilities are classified as HFT. The Company uses trade date accounting when recording regular way purchases and sales of trading assets and liabilities. At the date a purchase transaction is entered into (trade date), the Company recognises the resulting financial asset or liability and any subsequent unrealised profit or loss arising from revaluing that contract to fair value is recognised in the income statement. When the Company becomes party to a sale contract and the de-recognition criteria are met, it derecognises the trading asset or liability and recognises a trade receivable or trade payable from trade date until settlement date.

ix) Derivative instruments

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, 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.

x) Interest in associates

Associates are entities, over which the Company has significant influence or joint control, but not control, are carried at cost less accumulated impairment in accordance with IAS 27 Separate Financial Statements.

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

Notes to the financial statements
for the financial year ended 31 March 2019 (continued)

Note 2. Summary of significant accounting policies (continued)

xi) Loan assets

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

Loan assets are initially recognised at fair value adjusted for directly attributable transaction costs on settlement date. Loan assets are subsequently measured in accordance with the Company's accounting policy for financial instruments in Note 2 (vi).

xii) Due to/ from related entities

Transactions between the related Company, principally arise from the granting of loans and funding and are measured at amortised cost.

xiii) Impairment

Expected credit losses

The ECL requirements apply to financial assets measured at amortised cost, amounts receivable from contracts with customers, loan commitments and amount due from related entities.

The Company applies a three-stage approach to measuring the ECL based on changes in the financial asset's underlying credit risk and includes forward-looking or macro-economic information (FLI). Where ECL is modelled collectively for portfolios of exposures, it is modelled as the product of the probability of default (PD), the loss given default (LGD) and the exposure at default (EAD).

The calculation of ECL requires judgement and the choice of inputs, estimates and assumptions. Outcomes within the next financial period that are different from management's assumptions and estimates could result in changes to the timing and amount of ECL to be recognised.

The ECL is determined with reference to the following stages:

(i) Stage 1 – 12 month ECL

At initial recognition, and for financial assets for which there has not been a significant increase in credit risk (SICR) since initial recognition (or for those financial assets for which the credit risk is considered to be low), ECL is determined based on the PD over the next 12 months and the lifetime losses associated with such PD, adjusted for FLI.
Interest income is determined by applying the financial asset's EIR to the financial asset's gross carrying amount.

(ii) Stage 2 – Lifetime ECL not credit-impaired

When there has been a SICR since initial recognition, the ECL is determined with reference to the financial asset's life-time PD and the lifetime losses associated with that PD, adjusted for FLI. The Company assesses whether there has been a SICR since initial recognition based on qualitative, quantitative, and reasonable and supportable FLI that includes significant management judgement.

Use of more alternative criteria could result in significant changes to the timing and amount of ECL to be recognised. Lifetime ECL is generally determined based upon the contractual maturity of the financial asset

Interest income is determined by applying the financial asset's EIR to the financial asset's gross carrying amount

(iii) Stage 3 – Lifetime ECL credit-impaired

Financial assets are classified as stage 3 where they are determined to be credit impaired. This includes exposures that are at least 90 days past due and where the obligor is unlikely to pay without recourse against available collateral.

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

Interest income is determined by applying the financial asset's EIR to the financial asset's amortised cost carrying value, being the gross carrying value after the ECL provision.

(iv) Purchased or originated credit-impaired (POCI) financial assets

POCI financial assets are initially recognised at fair value with interest income subsequently determined using a credit-adjusted EIR. The credit-adjusted EIR is the EIR adjusted for expected credit losses on initial recognition.

The ECL is measured as the product of the lifetime PD, LGD and EAD adjusted for FLI or by discounting the difference between the contractual and expected cash flows from the individual exposure using the credit-adjusted EIR, with increases and decreases in the measured ECL from the date of origination or purchase being recognised in income statement as either an impairment gain or loss.

Notes to the financial statements
for the financial year ended 31 March 2019 (continued)

Note 2. Summary of significant accounting policies (continued)

xiii) Impairment (continued)

Expected credit losses (continued)

The loss allowances for ECL are presented in the statement of financial position as follows :

- Loan assets, loan to related body corporate entities, associates, debt financial investments and other asset measured at amortised cost – as a deduction to the gross carrying amount.

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

During the comparative period, prior to the adoption of IFRS 9, credit impairment provisions were recognised on an incurred loss basis. Key differences include:

– An impairment loss was recorded where there was objective evidence of impairment as a result of one or more events (loss event) which had an impact on the estimated future cash flows of the financial asset that could be reliably estimated.

– Where the credit risk of an exposure had deteriorated but there was no objective evidence of impairment, no credit impairment was required to be recognised.

– Forward looking or macroeconomic information was not required to be incorporated into the determination of the credit impairment loss.

– Credit impairments were only required to be recognised for on-balance sheet exposures.

Credit impairments were calculated on the basis of the difference between the exposure's carrying value and the present value of expected future cash flows, discounted using the original EIR.

For available for sale debt securities, where there was objective evidence of impairment and the fair value of the financial asset was less than its initial carrying amount then the cumulative loss was recognised directly out of OCI into the income statement. Impairment losses recognised for debt investment securities classified as available for sale were subsequently reversed through the income statement if the fair value increased and the increase was objectively related to an event after the impairment loss was recognised in the income statement.

Impairment of interests in associates

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

If there is an indication that an investment in an associate may be impaired, then the entire carrying amount of the investment in the associate is tested for impairment by comparing the recoverable amount, being the higher of value in use and fair value less costs to sell, with its carrying amount. Impairment losses recognised in the income statement for investments in associates are subsequently reversed through the income statement if there has been a change in the estimates used to determine the recoverable amount since the impairment loss was recognised.

xiv) Margin money and settlement assets and liabilities

Margin money and settlement assets and liabilities includes trade settlement balances, margin money and client monies, balances with clearing houses. Margin and client money primarily represent deposits placed with clearing house or received from clients in relation to future trading and other derivatives transactions. Balance includes both initial margin and variance margin which varies based on trading activities. Settlement balances represents outstanding trade timing balances as on the reporting date due to the timing difference between trade date and settlement date. Balances are carried at amortised cost except for certain margin money balances in form of money market funds which carried at FVTPL.

xv) Provisions

Employee benefits

A liability for employee benefits is recognised by the entity that has the obligation to the employee. Generally, this is consistent with the legal position of the parties to the employment contract.

Liabilities for unpaid salaries, salary related costs and provisions for annual leave are recorded in the statement of financial position at the salary rates which are expected to be paid when the liability is settled.

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

Notes to the financial statements
for the financial year ended 31 March 2019 (continued)

Note 2. Summary of significant accounting policies (continued)

xv) Provisions (continued)

Others

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

A contingent liability is disclosed when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources.

xvi) Employee compensation

Employee compensation is recognised as an expense, unless the cost qualifies to be capitalised as an asset.

Performance based remuneration

Share based payments

The ultimate parent entity, MGL, operates share based compensation plans, which include awards (including those delivered through the Macquarie Group Employee Retained Equity Plan (MEREP)) granted to employees under share acquisition plans. Information relating to these schemes is set out in note 26 – Employee equity participation.

The Company accounts for its share-based payments as follows:

- Equity settled awards: The awards are measured at their grant date fair value and based on the number of equity instruments expected to vest. Expenses are recognised as part of employment expenses with a corresponding increase in equity with reference to the vesting period of those awards. On vesting, the amount recognised in the share-based payment reserve is transferred to contributed equity.

Profit share remuneration

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

xvii) Leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

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.

xviii) 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 amortised cost.

xix) Offsetting financial instruments

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

xx) Share capital

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 (NDR) comprises historic share based payment reserves related to a previous scheme. In the prior year the reserve has been released to retained earnings.

Notes to the financial statements
for the financial year ended 31 March 2019 (continued)

Note 2. Summary of significant accounting policies (continued)

xxi) Comparatives

Presentation changes

On the adoption of IFRS 9 Financial Instruments as permitted by the standard, the Company has not restated its comparative financial information. In order to present items on the basis of the nature of the underlying item as opposed to measurement basis, the Company, following the adoption of IFRS 9, has made voluntary changes to the presentation of certain items in its statement of financial position.

(i) included a new line item, 'Financial investments' which typically includes equity and debt investments classified as at FVTPL and debt investments designated at FVTPL. Financial assets that were previously disclosed within the line item 'Financial assets at fair value through profit or loss' have been reclassified to 'Financial investments' to align with the disclosure in the current period.

(ii) aligned the category for 'Loan assets' in the current period to include loans previously reported under 'Loan assets held at amortised cost' which are now measured at either amortised cost or FVTPL.

(iii) disaggregated 'Trade and other receivable/payable' in to two line items, being 'Margin money and settlement assets/liabilities' and other Assets/ Liabilities. Unsettled trades has been reclassified from 'Trade and other receivable' to 'Margin money and settlement assets'. Similarly, unsettled trades has been reclassified from 'Trade and other payables ' to 'Margin money and settlement liabilities'.

(iv) balances with clearing house has been reclassified from 'Cash and Bank balance' to 'Margin money and settlement assets'.

The effect of these presentational changes on the statement of financial position has been disclosed below and as footnotes to the other relevant notes to the financial statements.

Statement of Financial Position extract

Assets	IAS 39 measurement category	Carrying amount as at 31 Mar 18	Presentation changes	Revised presentation as at 31 Mar 18
Cash and bank balances	Amortised cost	22,266,880	(19,692,553)	2,574,327
Trade and other receivables	Amortised cost	55,717,220	(55,717,220)	-
Other assets	Amortised cost	-	10,567,940	10,567,940
Margin money and settlement assets	Amortised cost	-	64,841,833	64,841,833
Total		77,984,100	-	77,984,100
Liabilities				
Trade and other payable	Amortised cost	70,489,460	(70,489,460)	-
Margin money and settlement liability	Amortised cost	-	48,535,568	48,535,568
Other liabilities	Amortised cost	-	20,700,789	20,700,789
Provisions	Amortised cost	-	1,253,103	1,253,103
Total		70,489,460	-	70,489,460

Income Statement

The Company has made certain presentation changes in its Income Statement and Note 3 – Profit/(loss) for the financial year, in order to align the presentation of items of income and expense with the categories of financial instruments presented in the statement of financial position.

The change in presentation for financial assets and financials liabilities aligns with the presentation of similar financial instruments and therefore provides more meaningful information regarding the effect of these financial instruments on the financial position and performance of the Company. This has had no effect on the measurement of these items and therefore on retained earnings or profit for any period. Comparative information has been represented, for all these presentation changes in statement of financial position and income statement.

Apart from the above, R5.4m income was re-classified from operating expenses to fee and commission income and R2.1m expense was re-classified from operating expenses to fee and commission expense.

Accordingly, where necessary, comparative information has been restated to conform to changes in presentation in the current year.

The Company also has a separate statement of comprehensive income to align with the Macquarie group.

Cash Flow Statement

The cash flow statement was changed from the direct to indirect method, this was done to align with the Macquarie group as it provides more useful and relevant information to the users of the financial statements.

Notes to the financial statements
for the financial year ended 31 March 2019 (continued)

Figures in Rand	2019	2018
Note 3. Profit/(loss) for the financial year		
Net interest (expense)/income		
Interest and similar income		
Interest income on deposits	346,207,299	444,092,154
Interest income on collateral pledged	186,849,684	53,947,630
Interest on intercompany loans	13,452,203	-
Total interest and similar income	546,509,186	498,039,784
Interest expense and similar charges		
Interest on loans from financial institutions	(251,511)	(46,094,775)
Interest on intercompany loans	(28,892,161)	(129,048,981)
Interest expense on collateral received	(200,785,693)	(59,260,432)
Interest expense on other loans	(41,010,411)	-
Interest on listed debt	(199,902,532)	(166,059,839)
Total interest expense and similar charges	(470,842,308)	(400,464,027)
Net interest income	75,666,878	97,575,757
Net trading income/(loss)		
Net trading income/(loss)	76,577,507	(87,607,656)
Total net trading income/(loss)	76,577,507	(87,607,656)
Other operating charges		
Credit impairment charges		
Other assets	(65,170)	-
Impairment of investment in associates	(120)	-
Other income	(14,708)	-
Total other operating charges	(79,998)	-
Fee and commission income		
Fee share from a related entity	9,002,812	5,412,556
Fee and commission expense		
Fee share from a related entity	(3,516,588)	(2,080,961)
Fee and commission income	5,486,224	3,331,595
Net operating income	157,650,611	13,299,696
Employment expenses		
Salary, salary related costs including commissions, superannuation and performance-related profit share	(28,428,689)	(36,513,888)
Share based payments	(188,560)	(416,798)
Provision for long service leave and annual leave	(268,029)	(350,954)
Total compensation expenses	(28,885,278)	(37,281,640)
Other employment expenses including on-costs, staff procurement and staff training	(185,789)	(112,902)
Total employment expenses	(29,071,067)	(37,394,542)
Occupancy expenses		
Operating lease rentals	(2,693,492)	(2,237,939)
Depreciation: furniture, fittings and leasehold improvements (note 12)	(5,328,547)	(5,328,546)
Other occupancy expenses	(390,188)	(1,869,353)
Total occupancy expenses	(8,412,227)	(9,435,838)

Notes to the financial statements
for the financial year ended 31 March 2019 (continued)

Figures in Rand	2019	2018

Note 3. Profit for the financial year (continued)

Non-salary technology expenses		
Information services	(1,581,738)	(1,314,683)
Depreciation: office equipment (note 12)	(93,803)	(236,994)
Service provider and other non-salary technology expenses	(189,386)	(737,364)
Total non-salary technology expenses	(1,864,927)	(2,289,041)
Other operating expenses		
Management fees, group service charges and cost recoveries paid	(26,988,960)	(55,854,328)
Professional fees	(884,834)	(1,543,279)
Travel and entertainment expenses	(1,210,881)	(1,750,723)
Auditor's remuneration	(1,214,831)	(732,315)
Advertising and promotional expenses	(55,272)	(139,520)
Communication expenses	(4,366,127)	(4,566,024)
Other expenses	(11,237,274)	(12,780,406)
Total other operating expenses	(45,958,179)	(77,366,595)
Total operating expenses	(85,306,400)	(126,486,016)
Operating profit before income tax	72,344,211	(113,186,320)

Note 4. Income tax benefit/(expense)

(i) Income tax benefit/(expense)		
Profit from current financial year		
- Current tax expense	-	-
- Deferred tax benefit/(expense)	27,094,826	(8,277,435)
Total income tax benefit/(expense)	27,094,826	(8,277,435)
Deferred tax expense included in income tax expense comprises:		
Increase/(Decrease) in deferred tax assets	26,846,848	(8,080,703)
Decrease/(Increase) in deferred tax liabilities	247,978	(196,732)
Total	27,094,826	(8,277,435)
(ii) Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable		
Prima facie income tax (expense)/benefit on operating profit[1]	(20,256,377)	31,692,170
Tax effect of amounts which are (not deductible)/non-assessable in calculating taxable income:		
Effect of exempt income	1,443,306	10,484,147
Expenses not deductible for tax purposes	111,135	(4,656,862)
Assessed loss not recognised	-	(45,796,762)
Recognition of previously unrecognised assessed loss	45,796,762	-
Total income tax benefit/(expense) arising from current financial year	27,094,826	(8,277,307)

[1] Prima facie income tax benefit/(expense) on operating profit is calculated at the rate of 28 per cent (2018:28 per cent).

No provision has been made for 2019 tax as the Company has no taxable income. The estimated tax loss available for set off against future taxable income is R230,755,199 (2018: R296,953,329).

Note 5. Cash and bank balances

Cash at bank	5,179,549	2,574,327
Total Cash and bank balances	5,179,549	2,574,327

The above amounts are expected to be recovered within 12 months of the reporting date by the Company.
For reclassification of previous year balance refer note 2(xxi).

Notes to the financial statements
for the financial year ended 31 March 2019 (continued)

Figures in Rand	2019	2018

Note 6. Collateral on securities borrowed/lent

Collateral on securities borrowed and reverse repurchase agreements

Collateral on securities borrowed and reverse repurchase agreements	2,054,130,500	536,620,705
Total Collateral on securities borrowed and reverse repurchase agreements	**2,054,130,500**	536,620,705

The above collateral includes cash collateral pledged as at 31 March 2019 amounting to R1,248 million (2018: R536.6 million) with a related liability R733.3 million (2018: R512.2 million).

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

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.

Collateral on securities lent and repurchase agreements

Collateral on securities lent and repurchase agreements	6,430,607,498	25,556,000
Total Collateral on securities lent and repurchase agreements	**6,430,607,498**	25,556,000

The above collateral includes cash collateral received is R647.8 million (2018: R25.6 million) with a related assets of R609.2 million (2018: R8.1 million).

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

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.

Note 7. Trading assets

Equities		
Listed	4,349,163,954	122,999,616
Total trading assets	**4,349,163,954**	122,999,616

The above amounts are expected to be recovered within 12 months of the reporting date by the Company.
Trading assets represents listed equity securities which are held for trading and are classified as financial assets at fair value through profit or loss.

Note 8. Margin money and settlement assets

Margin Placed with clearing house	9,212,168	19,692,553
Security settlements	319,685,453	45,149,280
Total margin money and settlement assets	**328,897,621**	64,841,833

The above amounts are expected to be recovered within 12 months of the reporting date by the Company.
For reclassification of previous year balance refer note 2(xxi).

Note 9. Financial investments

Money Market instruments and funds	2,433,582,086	1,181,864,387
Term deposit managed on a fair value basis [1]	1,105,448,040	1,213,766,075
Negotiable certificates of deposit	-	94,036,715
Unlisted investments	-	94,520,700
Total financial investments	**3,539,030,126**	2,584,187,877

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

(1)Includes R649,418,735 (2018: nil) deposits which are expected to be recovered after 12 months of the reporting date by the Company.

Note 10. Loan assets

Due from related entities	149,475,000	153,191,259
Total loan assets *	**149,475,000**	153,191,259

The balance relates to a subordinated loan to Mazi Macquarie Securities (RF) Proprietary Ltd. that bears interest at 3 month JIBAR + 1.5% per annum and is repayable in February 2020.

"Includes ECL R525,000 on subordinated loan (note 2 (xiii))

Notes to the financial statements
for the financial year ended 31 March 2019 (continued)

Figures in Rand	2019	2018

Note 11. Other assets

Due from related entities	**27,129,607**	1
Debtors and prepayments	**406,715**	702,613
Other trade assets	**38,887,337**	9,712,641
Other	**737,204**	152,685
Total other assets	**67,160,863**	10,567,940

The majority of the above amounts are expected to be recovered within 12 months of the reporting date by the Company.
For reclassification of previous year balance refer note 2(xxi).

Note 12. Property, plant and equipment

	2019			2018		
	Cost	**Accumulated depreciation**	**Carrying value**	Cost	Accumulated depreciation	Carrying value
Furniture and fittings	**221,107**	**(213,862)**	**7,245**	336,530	(321,468)	15,062
Leasehold improvements	**26,160,250**	**(19,065,947)**	**7,094,303**	26,160,251	(13,745,217)	12,415,034
Equipment	**874,982**	**(854,416)**	**20,566**	851,739	(760,613)	91,126
Total	**27,256,339**	**(20,134,225)**	**7,122,114**	27,348,520	(14,827,298)	12,521,222

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

Reconciliation of the movement in the Company's property, plant and equipment -2019:

	Opening balance	Addition	Depreciation	Total
Furniture and fittings [1]	15,062	-	(7,817)	**7,245**
Leasehold improvements	12,415,034	-	(5,320,731)	**7,094,303**
Equipment	91,126	23,243	(93,803)	**20,566**
Balance at 31 March 2019	**12,521,222**	**23,243**	**(5,422,351)**	**7,122,114**

[1]During the year an asset of R115,423 (2018: nil) was fully depreciated and was moved out from the cost and accumulated depreciation.

Reconciliation of the movement in the Company's property, plant and equipment -2018:

	Opening balance	Depreciation	Total
Furniture and fittings	22,879	(7,817)	**15,062**
Leasehold improvements	17,735,763	(5,320,729)	**12,415,034**
Equipment	327,965	(236,839)	**91,126**
Balance at 31 March 2018	**18,086,607**	**(5,565,385)**	**12,521,222**

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.

Leasehold improvements relate to improvements made to the office building.

Notes to the financial statements
for the financial year ended 31 March 2019 (continued)

Figures in Rand	2019	2018

Note 13. Interests in associates

The following table lists all of the associates in the Company

Name of Company	% Ownership Interest 2019	% Ownership Interest 2018	Carrying amount 2019	Carrying amount 2018
PSIC Finance 3 (RF) (Pty) Ltd	30%	30%	300	300
Oakmont Finance (RF) (Pty) Ltd (1)	-	30%	-	30
Bowood Investments (RF) (Pty) Ltd (1)	-	30%	-	30
Newmarket Capital (RF) (Pty) Ltd (2)	-	30%	-	30
Devon Finance (RF) (Pty) Ltd (2)	-	30%	-	30
Total			300	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 other four Companies used to conduct the business of issuing of debentures and applying the proceeds to subscribe for debentures.

(1)These companies are currently dormant, investment amount written off during the year.
(2) Companies de-registered during the year,investment amount written off to profit & loss.

The net asset value and profit of the associates are insignificant to the Company's financial statements and thus disclosure of those figures are not included.

Note 14. Deferred tax assets

The balance comprises temporary differences attributable to:

	2019	2018
Tax losses	64,611,453	37,350,170
Provisions	3,254,219	3,486,568
Prepayments	(115,599)	(363,577)
Total deferred tax assets	67,750,073	40,473,161

The movements in the deferred tax assets during the financial year were as follows:

	Prepayments	Provisions	Tax losses	Total
2019				
Balance at the beginning of the financial year	(196,732)	3,319,723	37,350,170	40,473,161
Debited/(credited) to profit or loss	81,246	(65,617)	27,261,283	27,276,912
Balance at the end of the financial year	(115,486)	3,254,106	64,611,453	67,750,073

	Prepayments	Provisions	Tax losses	Total
2018				
Balance at the beginning of the financial year	-	2,559,732	46,190,737	48,750,469
(Credited)/ debited to profit or loss	(196,732)	759,991	(8,840,567)	(8,277,308)
Balance at the end of the financial year	(196,732)	3,319,723	37,350,170	40,473,161

Recognition of deferred tax asset

Recoverability of the deferred tax asset is based on management forecasts which are regularly updated and assessed. Deferred tax assets are only recognised to the extent that future profits are available against which the unused tax losses or unused tax credits can be utilised. Assessed losses of R230,755,199 are available to offset future taxable income.

Management performs an assessment of the probability of future taxable profit by performing an analysis over a 5 year period of revenue and expenses. To determine the probability that taxable profit will be available against which the unused tax losses can be utilised, the Company has reviewed its forecasts of secured work for the foreseeable future and compared that to its total tax losses. To the extent that forecast do not support the deferred tax asset being utilised within 5 years, the deferred tax asset is not recognised.

Detailed forecasts have been prepared and approved at group level showing the Company returning to profitability in the short to medium term. Theses forecasts are based on approved financial budgets and the five year strategic plan, which has been approved by the Group and board of directors, to determine the recoverability of the deferred tax asset balance.

The following criteria is used in assessing the probability that taxable profit will be available against which the unused tax losses can be utilised:
Whether the entity has sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, which will result in taxable amounts against which the unused tax losses can utilised;
Whether it is probable that the entity will have taxable profit before the unused tax losses expire;
Whether the unused tax losses result from identifiable causes which are unlikely to recur; and
Whether there are tax planning opportunities available that will create taxable profit in the period in which the unused tax losses or unused tax credit can be utilised.

Notes to the financial statements
for the financial year ended 31 March 2019 (continued)

Figures in Rand	2019	2018

Note 15. Trading liabilities

Equities		
Listed	2,045,877,464	742,585,541
Total trading liabilities	2,045,877,464	742,585,541

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

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.

Note 16. Margin money and settlement liability

Security Settlements		
Due to other related entities	97,960,109	-
Other	242,050,094	48,535,568
Total margin money and settlement liability	340,010,203	48,535,568

Security settlements are generally payable within two working days of the relevant trade date.
For reclassification of previous year balance refer note 2(xxi).

Note 17. Financial liabilities at fair value through profit or loss

Debt issued at fair value [1]	3,604,818,507	2,344,094,668
Equity linked notes	-	114,233,609
Total Financial liabilities at fair value through profit or loss	3,604,818,507	2,458,328,277

The majority of the above amounts are expected to be payable within 12 months of the reporting date by the Company.
(1)Includes R649,604,899 (2018: R100,878,115) deposits which are expected to be payable after 12 months of the reporting date by the Company.

Loan Notional	Subordinated	Bearing interest at	Date repayable
R600m	Yes	11.63%	August 2023

Note 18. Other liabilities

Due to related entities	3,599,413	-
Profit share accrual	4,879,381	2,616,535
Accrued charges	5,629,834	2,281,055
Other trade liabilities	32,133,704	5,099,451
Others	3,125,599	10,703,748
Total other liabilities	49,367,931	20,700,789

The majority of the above amounts are expected to be settled within 12 months of the reporting date by the Company.
For reclassification of previous year balance refer note 2(xxi).

Note 19. Intercompany financial liabilities at fair value through profit and loss

Intercompany financial liabilities	-	948,767,673
Total intercompany financial liabilities at fair value through profit and loss	-	948,767,673

Previous year balance paid during the year which consists of three subordinated loans from the Delta1 Finance Trust as per the table below.

Loan Notional	Subordinated	Bearing interest at	Date repayable
R300m	Yes	6M JIBAR + 0.355%	August 2018
R300m	No	3M JIBAR + 0.775%	August 2018
R225m	Yes	3M JIBAR + 0.45%	February 2020
R75m	Yes	1M JIBAR	February 2020

Note 20. Provisions

Provision for employee entitlements	634,235	1,253,103
Total provisions	634,235	1,253,103

The above amount is expected to be settled within 12 months of the reporting date by the Company.
For reclassification of previous year balance refer note 2(xxi).

Notes to the financial statements for the financial year ended 31 March 2019 (continued)

Figures in Rand	2019	2018

Note 21. Share capital

	2019 Number of shares	2018 Number of shares
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
526,315,789 no par value Class "C" ordinary shares	**526,315,789**	526,315,789
50,140 no par value class "A" redeemable cumulative preference shares	**50,140**	50,140
100 no par value class "B" redeemable cumulative preference shares	**100**	100
12,587 no par value class "C" redeemable cumulative preference shares	**12,587**	12,587
75 no par value class "D" redeemable cumulative preference shares	**75**	75
100 no par value class "E" redeemable cumulative preference shares	**100**	100
310,100,000 no par value unclassified shares under s36(1)(c) of the Act	**310,100,000**	310,100,000
337,098 no par value unclassified shares under s36(1)(d) of the Act	**337,098**	337,098
Total	**1,027,143,889**	**1,027,143,889**

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
526,315,789 no par value Class "C" ordinary shares	**526,315,789**	526,315,789
Total	**716,642,889**	716,642,889

	2019	2018
Issued in 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
526,315,789 no par value Class "C" ordinary shares	**100,000,000**	100,000,000
Total	**290,327,100**	290,327,100

All issued shares are fully paid.

During the previous year R100m of ordinary share capital was issued to Macquarie EMG Holdings Proprietary Limited, with no restrictive terms.

Note 22. Accumulated losses

	2019	2018
Balance at the beginning of the financial year	**(206,559,433)**	(89,395,180)
Change on initial application of IFRS 9, net of tax (note 2(i))	**(468,526)**	-
Restated balance as at 1 April 2018	**(207,027,959)**	-
Profit attributable to ordinary equity holder of Macquarie Securities South Africa Limited	**99,439,037**	(121,463,755)
Transfer between reserves	**-**	4,299,502
Balance at the end of the financial year	**(107,588,922)**	(206,559,433)

Notes to the financial statements
for the financial year ended 31 March 2019 (continued)

Figures in Rand	2019	2018

Note 23. Notes to the statement of cash flows

Reconciliation of cash and cash equivalents

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

	2019	2018
Cash and bank balances (note 5)	**5,179,549**	2,574,327
Margin money and settlement assets (note 8)[1]	**9,212,168**	19,692,553
Cash and cash equivalents at the end of the financial year	**14,391,717**	22,266,880

[1] Includes amount due from clearing houses

Note 24. Related party information

Parent

The immediate parent entity is Macquarie EMG Holdings Pty Limited, incorporated in Australia. The ultimate parent entity is Macquarie Group Limited (MGL), incorporated in Australia.

Transactions between the Company and other related entities principally arise from fee and commission income and expense, Net trading income, funding transactions and the provision of management and administration services.

Certain gain and loss relating to trading assets which are charged by related entities are recognised in net trading income.

Balances outstanding with parent and other related entities are disclosed in notes 10, 11, 16 and 18 to the financial statements.

Transactions with related parties
2019

Name	Relation	Inter group charges	Trading activities	Interest income/ (expense)	Fee and commission income	Balance March 2019
Delta1 Finance Trust	Other		4,110,569	(28,842,260)	-	-
Macquarie Africa (Pty) Ltd.	Other	1,188,176	-	-	-	(825,902)
Macquarie Bank Limited	Other	499,234	203,016,046	(46,008)	5,429,727	(112,717,833)
Macquarie Commodities Trading SA	Other	-	-	-	3,547,468	-
Macquarie Corporate Finance Limited Niederlassung Deutschland	Other	1,030,536	-	-	-	-
Macquarie Emg Holdings Pty Limited	Other		(5,528,979)	(519)	-	(6,789,507)
Macquarie Financial Holdings Pty Ltd	Other	15,898	(1,703,570)	2,783	-	23,535,951
Macquarie Global Services (USA) LLC	Other	164,522	-	-	-	-
Macquarie Group Services (Singapore) Pte. Ltd.	Other	1,577,561	-	-	-	-
Macquarie Group Services Australia Pty Ltd	Other	3,668,126	-	-	-	-
Macquarie Internationale Investments Ltd.	Other	-		186,164	-	-
Macquarie Services (Hong Kong) Ltd.	Other	165,823	-	-	-	-
Mazi Macquarie Securities (RF) Proprietary Ltd.	Other	(1,631,588)		13,452,203	-	151,840,696
Macquarie Holdings South Africa Proprietary Limited	Other	-	-	-	-	(1,438,099)
Macquarie Global Services Private Ltd.		-	-	-	-	246,122
Other Group Entities with balances <R200,000	Other	141,481	-	(40,729)	25,617	(360,844)

Notes to the financial statements
for the financial year ended 31 March 2019 (continued)

Figures in Rand

2018

Name	Relation	Inter group charges	Trading Activities	Interest income/ (expense)	Fee and commission income	Balance March 2018
Delta1 Finance Trust	Other	-	171,551,208	(33,152,030)	-	(905,431,014)
Macquarie Africa (Pty) Ltd		-	-	-	-	363,623
Macquarie Int Capital Markets Ltd	Other	540,027	-	(18,778,699)	-	-
Macquarie Bank Ltd	Other	2,248,531	(11,239,501)	-	-	(4,366,568)
Macquarie Capital (Europe) Ltd	Other	(2,209,169)	-	-	-	-
Macquarie Capital Funds (Europe) Ltd	Other	(488,062)	-	-	-	-
Macquarie Capital South Africa (Pty) Ltd	Other	(783,115)	-	-	-	(83,088)
Macquarie Commodities Trading	Other	-	-	-	(6,324,516)	-
Macquarie Emerging Markets ARB	Other	114,967	-	-	-	-
Macquarie EMG Holdings (Pty) Ltd	Other	-	(634,609,371)	(911,003)	-	(1,261,400)
Macquarie Equities South Africa (Pty) Ltd	Other	(4,723,695)	-	(14,347,863)	-	152,329,302
Macquarie Financial Holdings (Pty) Ltd	Other	931,967	(20)		-	(36,580,634)
Macquarie Global Service Pty Ltd	Other	328,120	-	-	-	80,705
Macquarie Global Services (USA) LLC	Other	263,503	-	-	-	-
Macquarie Group Services Australia (Pty) Ltd	Other	45,591,299	-	-	-	-
Macquarie Group Ltd	Ultimate parent	-	-	-	-	363,995
Macquarie Holdings (USA) Inc	Other	866,751	-	-	-	-
Macquarie Holdings South Africa (Pty) Ltd	Other	3,670,843	-	-	-	(845,660)
Macquarie Internationale Investments Ltd	Other	-	-	(2,382,781)	-	-
Macquarie Offshore Services Pty Ltd - Philippine Branch	Other	542,538	-	-	-	(48,363)
Macquarie Services (Hong Kong) Ltd	Other	8,477,933	-	-	-	-
Macquarie Singapore	Other	2,024,361	-	-	-	-
Other Group Entities with balances <R200,000	Other	(7,749)	(23,995)	3,995	-	(97,312)

Note 25. Key Management Personnel disclosure

Key Management Personnel

The following persons were Voting Directors of the Company and those having authority and responsibility for planning, directing and controlling the activities of the Company (Key Management Personnel – KMP) during the financial years ended 31 March 2019 and 31 March 2018, unless otherwise indicated:

Name of Director	Appointed on	Resigned on
Duncan MacRobert (Non Executive)	28 March 2014	-
Graham Crawford	10 November 2009	-
Nicholas Luck	30 November 2007	26 July 2017
Nikolai Mavrodinov	29 September 2015	-
Peter Gordon (Non Executive)	28 March 2014	-
Timothy Leclercq (Non Executive)	28 March 2014	-
William Phillips	9 August 2017	6 July 2018

The Key Management Personnel (KMP) are also the Directors of the Company.

Notes to the financial statements
for the financial year ended 31 March 2019 (continued)

Note 25. Key Management Personnel disclosure (continued)

Directors' emoluments

Figures in Rand	2019	2018
For services as directors	**6,195,728**	9,668,970

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

The KMP did not receive any other benefits or consideration in connection with the management of the Company. All other benefits that were received by KMP (principally performance related remuneration and options for MGL equity) were solely related to other services performed with respect to their employment within the Macquarie Group.

Note 26. Employee equity participation

Macquarie Group Employee Retained Equity Plan

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

Award Types under the MEREP

Restricted Share Units (RSUs)

An RSU is a beneficial interest in an MGL ordinary share held on behalf of a MEREP participant by the plan trustee (Trustee). The participant is entitled to receive dividends on the share and direct the Trustee how to exercise voting rights of the share. The participant also has the right to request the release of the share from the MEREP Trust, subject to the vesting and forfeiture provisions of the MEREP.

Restricted Shares (RSA)

A Restricted Share is a MGL ordinary share transferred from the MEREP Trust and held by a MEREP participant subject to restrictions on disposal, vesting and forfeiture rules. The participant is entitled to receive dividends on, and to exercise the voting rights of, the Restricted Shares.

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

	Number of RSUs Awards	
	2019	2018
RSUs on issue at the beginning of the financial year	**1,581**	2,568
Granted during the financial year	**-**	439
Forfeited during the financial year	**(48)**	-
Vested RSU withdrawn or sold from the MEREP during the financial year	**(610)**	(1,122)
Transfers from related body corporate entities	**(353)**	(304)
RSUs on issue at the end of the financial year	**570**	1,581
RSUs vested and not withdrawn from the MEREP at the end of the financial year	**-**	-

The weighted average fair value of the RSU Awards granted during the financial year was nil (2018: AU$88.07 or R884.89).

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

- Executive Directors with retained Directors' Profit Share (DPS) from 2009 onwards, a proportion of which is allocated in the form of MEREP awards (Retained DPS Awards);

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

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

Notes to the financial statements for the financial year ended 31 March 2019 (continued)

Note 26. Employee equity participation (continued)

Vesting periods are as follows:

Award type	Level	Vesting
Retained Profit Share Awards and Promotion Awards	Below Executive Director	1/3rd in the 2nd, 3rd and 4th year following the year of grant[1]
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.

Assumptions used to determine fair value of MEREP awards

RSU's are measured at their grant dates based on their fair value. This amount is recognised as an expense evenly over the respective vesting period.

While RSUs for FY2019 will be granted during FY2020, the entity begins recognizing an expense for these awards (based on an initial estimate) from 1 April 2018. The expense is estimated using the price of MGL ordinary shares as at 31 March 2019 and the number of equity instruments expected to vest. In the following financial year, the entity will adjust the accumulated expense recognized for the final determination of fair value for each RSU when granted and will use this validation for recognizing the expense over the remaining vesting period.

The entity annually reviews its estimates of the number of awards (including those delivered through MEREP) that are expected to vest. It recognizes the impact of the revision to original estimates, if any, in the employment expenses in the income statement. For the financial year ended 31 March 2019, compensation expense relating to the MEREP totalled AU$18,759.29 or R192,202.51 (2018: AU$41,495.76 or R416,928.65).

Historical Share and Option Plans

Shares are no longer being issued under the Staff Share Acquisition Plan or the Non-Executive Director Share Acquisition plan. However, employees and Non-Executive Directors still hold shares issued in previous years.

Options over fully paid unissued ordinary shares are no longer granted under the Macquarie Group Employee Share Option Plan and no options are outstanding."

Note 27. Contingent liabilities and assets

The Company has no contingent liabilities which are individually material or a category of commitments or contingent liabilities which are material.

Note 28. Derivative financial instruments

Objectives of holding derivative financial instruments

The Company uses derivatives to hedge operations and for asset and liability management.

Derivative assets includes exchange traded equity futures derivatives of R52.3m (2018: R131.2m) and OTC derivatives R2,230.5m (2018: R800.9m)

Derivative liability includes exchange traded equity futures derivatives of R53.2m (2018: R130.2m) and OTC derivatives R143.5m (2018: R367k)

The types of financial instruments which the Company trades and uses for hedging purposes are detailed below:

Futures: Futures contracts provide the holder with the obligation to buy a specified financial instrument at a fixed price and fixed date in the future. Contracts may be closed early via cash settlement. Futures contracts are exchange traded.

Forwards: Forward contracts, which resemble futures contracts, are an agreement between two parties that a financial instrument will be traded at a fixed price and fixed date in the future.

Swaps: Swap transactions provide for two parties to swap a series of cash flows in relation to an underlying principal amount, usually to exchange a fixed interest rate for a floating interest rate. Cross-currency swaps provide a tool for two parties to manage risk arising from movements in exchange rates.

Options: Option contracts provide the holder the right to buy or sell financial instruments at a fixed price over an agreed period or on a fixed date. The contract does not oblige the holder to buy or sell, however the writer must perform if the holder exercises the rights pertaining to the option.

Notes to the financial statements
for the financial year ended 31 March 2019 (continued)

Note 29. Financial risk management

Risk Management Group (RMG)

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 (eg. trading within risk limits and daily monitoring by RMG (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.

The Company is approved to trade a range of products based on a new product approval process. RMG sets appropriate risk limits which are monitored and updated regularly. Any proposed trading that would be outside of these risk limits require special deal approval by the Deal Review Committee.

The Company is subject to the regulations of the JSE and FSB.

29.1 Credit risk

Credit risk is the risk of a counterparty failing to complete its contractual obligations when they fall due or changes in the creditworthiness of the counterparty. The consequent loss is either the amount of the loan or financial obligation not repaid, the change in the value of a non-traded debt instrument, or the loss incurred in replicating a trading contract with a new counterparty.

Credit risk within the Company is managed on a group basis by the RMG at MGL

Ratings and reviews

For internals balances, credit rating of each affiliate entity has been defined based on rating grades assigned internally to these counterparties for the pricing of internal funding arrangements on an arm's length basis. In case the affiliate is not rated, the same has been considered as below investment grade.

The balances disclosed in the credit risk tables below include only those financial assets that are subject to impairment requirements of IFRS 9. Comparative tables as at 31 March 2018 as published in the 2018 annual report do not reflect the adoption of IFRS 9 and hence are not comparable.

Credit quality of financial assets

The table below discloses, by credit rating grades and ECL impairment stage, the gross carrying amount of assets measured at amortised cost of the Company subject to the impairment requirements of IFRS 9. The credit quality is based on the counterparty's credit rating using the Company's credit rating system and excludes the benefit of collateral and credit enhancements.

2019	Figures in Rand Neither past due nor impaired Stage 1[1]	Stage 2[1]	Stage 3[1]	Total
Investment grade				
Loan assets	149,475,000	-	-	149,475,000
Other assets[2]	30,178,256	-	-	30,178,256
Total investment grade	179,653,256	-	-	179,653,256
Below investment grade				
Cash and bank balances	5,179,549	-	-	5,179,549
Collateral on securities borrowed and reverse repurchase agreements	2,054,130,500	-	-	2,054,130,500
Margin money and settlement assets	328,897,621	-	-	328,897,621
Other assets[2]	36,640,190	-	-	36,640,190
Total below investment grade	2,424,847,860	-	-	2,424,847,860
Financial assets by ECL stage[3]				
Loan assets	149,475,000	-	-	149,475,000
Cash and bank balances	5,179,549	-	-	5,179,549
Collateral on securities borrowed and reverse repurchase agreements	2,054,130,500	-	-	2,054,130,500
Margin money and settlement assets	328,897,621	-	-	328,897,621
Other assets[2]	66,818,446	-	-	66,818,446
Total financial assets by ECL stage3	2,604,501,116	-	-	2,604,501,116

[1] For definitions of stage I, II and III, refer to Note 2(xiii) Impairment - Expected credit losses.

[2] Excludes other non-financial assets of R533,567 which are included in note 11 – Other assets.

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

Notes to the financial statements
for the financial year ended 31 March 2019 (continued)
29.1 Credit risk (continued)

Credit risk concentration

The table below details the concentration of credit risk by significant geographical locations and counterparty type of the Company's financial assets subject to impairment requirements of IFRS 9. The geographical location is determined by the domicile and the classification is based on the industry type of the counterparty.

	Figures in Rand		
2019	Financial institutions	Others	Total
EMEA			
Cash and bank balances	5,179,549	-	5,179,549
Collateral on securities borrowed and reverse repurchase agreements	1,789,064,741	265,065,759	2,054,130,500
Margin money and settlement assets	285,309,956	43,587,665	328,897,621
Loan assets	-	150,000,000	150,000,000
Other assets [1]	23,803,478	18,123,005	41,926,483
Total EMEA [3]	2,103,357,724	476,776,429	2,580,134,153
Asia Pacific			
Other assets [1]	-	1,021,141	1,021,141
Total Asia Pacific	-	1,021,141	1,021,141
Australia			
Other assets [1]	23,676,773	194,049	23,870,822
Total Australia	23,676,773	194,049	23,870,822
Total	2,127,034,497	477,991,619	2,605,026,116
Total gross credit risk [2]			2,605,026,116

[1] Excludes other non-financial assets of R533,567 which are included in note 11 – Other assets.

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

[3] EMEA region includes credit risk exposures in South Africa.

The table below details the concentration by significant geographical locations and counterparty type of the Company financial assets which are not subject to impairment requirements of IFRS 9 since they're measured at fair value through profit and loss.

	Figures in Rand		
2019	Financial institutions	Others	Total
EMEA			
Trading assets	518,060,851	3,831,103,103	4,349,163,954
Derivative assets	82,006,116	2,200,791,475	2,282,797,591
Financial Investments	2,633,596,291	905,433,835	3,539,030,126
Total EMEA	3,233,663,258	6,937,328,413	10,170,991,671

Prior year comparative credit risk disclosures

The below credit risk disclosures were included in the 2018 financial statements and do not reflect the adoption of IFRS 9. These tables are accordingly not directly comparable to that provided under IFRS 9, these disclosures have been restated for balance sheet presentation changes (Refer Note 2 Summary of significant accounting policies).

Credit quality - 2018	Figures in Rand		
	Neither past due nor impaired		
	Investment Grade	Below Investment Grade	Total
Cash and bank balances		2,574,327	2,574,327
Collateral on securities borrowed and reverse repurchase agreements	-	536,620,705	536,620,705
Trading assets	-	122,999,616	122,999,616
Derivative assets	-	932,090,346	932,090,346
Margin money and settlement assets	-	64,841,833	64,841,833
Financial Investments	-	2,584,187,877	2,584,187,877
Loan assets	153,191,259	-	153,191,259
Other assets[1]	-	9,712,642	9,712,642
Total	153,191,259	4,253,027,346	4,406,218,605

[1] Excludes other non-financial assets of R855,298 which are included in note 11 – Other assets.

Notes to the financial statements
for the financial year ended 31 March 2019 (continued)

Note 29. Financial risk management (continued)

29.1 Credit risk (continued)

Maximum exposure to credit risk

The table below details the concentration of maximum exposure to credit risk of the Company financial assets by significant geographical locations and counterparty type. The maximum credit exposure is to each counterparty and does not take into consideration collateral or other credit enhancements (refer to section on collateral and credit enhancements). The geographical location is determined by the domicile and the classification is determined by the industry type of the counterparty.

	Figures in Rand			
2018	Governments	Financial institutions	Others	Total
EMEA				
Cash and bank balances	-	2,574,327	-	2,574,327
Collateral on securities borrowed and reverse repurchase agreements	-	536,620,705	-	536,620,705
Trading assets	-	-	122,999,616	122,999,616
Derivative assets	-	103,705,744	828,384,602	932,090,346
Margin money and settlement assets	-	64,841,833	-	64,841,833
Financial Investments	-	2,582,625,882	1,561,995	2,584,187,877
Loan assets	-	-	153,191,259	153,191,259
Other assets [1]	-	4,464,017	5,248,625	9,712,642
Total EMEA	-	3,294,832,508	1,111,386,097	4,406,218,605
Total	-	3,294,832,508	1,111,386,097	4,406,218,605
Total gross credit risk				4,406,218,605

[1] Excludes other non-financial assets of R855,298 which are included in note 11 – Other assets.

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

Macquarie lends to clients for investment and financing purposes. Where Macquarie lends for investment, Macquarie holds the investment as collateral.

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 2019 of R52.3m (2018: R131.2m).

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 2019, no OTC derivative assets subject to master netting agreement were in issue.

Collateral on securities borrowed

The Company enters into stock borrowing and reverse repurchase transactions with counterparties which require lodgement of non-cash collateral.
Securities borrowed requires the deposit of cash collateral at amounts equal to or greater than the market value of the securities borrowed. Reverse repurchase agreements are collateralised financing arrangements with the market value of the securities provided as collateral generally in excess of the principal amount.

Margin money and settlement assets

This includes initial margin and settled trades which are traded on an exchange. They have reduced credit risk as the counterparty is a clearing house responsible for settlement of trades.

Financial Investments at fair value through profit and loss

Included in financial assets designated at fair value are term deposits of R600m (2018: R304m) which are supported by liabilities of R600m (2018: R303m) with limited recourse. Therefore the Company is not exposed to the credit risk of these assets.

Notes to the financial statements
for the financial year ended 31 March 2019 (continued)

Note 29. Financial risk management (continued)

29.2 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.

			Figures in Rand		
2019	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Total**
Collateral on securities lent and repurchase agreements	-	6,430,607,498	-	-	6,430,607,498
Trading liabilities	-	2,045,877,464	-	-	2,045,877,464
Derivative liabilities	-	41,936,413	15,176,782	139,540,480	196,653,675
Margin money and settlement liability	-	340,010,203	-	-	340,010,203
Financial liabilities at fair value through profit or loss	-	2,305,050,318	650,163,290	649,604,899	3,604,818,507
Other liabilities [1]	-	49,367,931	-	-	49,367,931
Total undiscounted cash flows	-	11,212,849,827	665,340,072	789,145,379	12,667,335,278

[1]Excludes items that are not financial instruments and non-contractual accruals and provisions.

			Figures in Rand		
2018	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Collateral on securities lent and repurchase agreements	-	25,556,000	-	-	25,556,000
Trading liabilities	-	742,585,541	-	-	742,585,541
Derivative liabilities	-	96,119,169	34,087,516	392,911	130,599,596
Margin money and settlement liability	-	340,010,203	-	-	340,010,203
Financial liabilities at fair value through profit or loss	-	45,689,949	2,434,335,881	100,878,115	2,580,903,945
Debt issued	-	-	948,767,673	-	948,767,673
Other liabilities[1]	-	20,700,789	-	-	20,700,789
Total undiscounted cash flows	-	1,270,661,651	3,417,191,070	101,271,026	4,789,123,747

[1]Excludes items that are not financial instruments and non-contractual accruals and provisions.

The balance sheet is managed on a maturity basis where liquidity is managed to ensure there are sufficient assets to meet liabilities as and when they become due. In the short term (0 – 3months), there is sufficient liquidity in cash and bank balance, collateral securities, trading balances and financial investments to meet current obligations.

The remainder of the assets are sufficient to meet the liabilities in the 3 to 12 month time period.

Notes to the financial statements
for the financial year ended 31 March 2019 (continued)

Note 29. Financial risk management (continued)

29.3 Market risk

Non Traded Market Risk

The Company has exposure to non-traded market risks arising from transactions entered into during its normal course of business. These risks include:

- interest rate: changes in the level, shape and volatility of yield curves, and/or client behaviour given these changes;

- foreign exchange: changes in the spot exchange rates.

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

Interest rate risk 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.

Interest rate risk

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.

	Movement in basis points	2019 Sensitivity of profit after tax	2018 Sensitivity of profit after tax
South Africa Rand	+50	2,561,285	1,177,599
South Africa Rand	-50	(2,561,285)	(1,177,599)

Foreign currency risk

The Company is exposed to foreign currency risk arising from transactions entered into in its normal course of business. Movements in foreign currency exchange rates will result in gain or loss in the income statement due to the revaluation of certain balances.

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.

	Movement of +10%		Movement of -10%	
	2019 Sensitivity of profit before tax	2018 Sensitivity of profit before tax	2019 Sensitivity of profit before tax	2018 Sensitivity of profit before tax
Australian dollar	144,150	(2,044,176)	(144,150)	2,044,176
Euro	(2,721)	(2,280)	2,721	2,280
Great British pound	(955,037)	(910,975)	955,037	910,975
Hong Kong dollar	(516,730)	(395,799)	516,730	395,799
Singapore dollar	(337,313)	(155,344)	337,313	155,344
Philippine peso	(5,640)	(4,701)	5,640	4,701
United States dollar	(7,748,158)	(8,001,472)	7,748,158	8,001,472

Notes to the financial statements
for the financial year ended 31 March 2019 (continued)

Note 29. Financial risk management (continued)

29.3 Market risk (continued)

Traded Market Risk

Equity price risk

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.

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

	31 March 2019			31 March 2018		
	Movement in equity price	Sensitivity of profit before tax	Sensitivity of profit after tax	Movement in equity price	Sensitivity of profit before tax	Sensitivity of profit after tax
Geographic region	%	Rand	Rand	%	Rand	Rand
Listed and non listed						
EMEA	+10%	2,489,688	1,792,576	+10%	876,473	631,061
Listed and non listed						
EMEA	-10%	(2,489,688)	(1,792,576)	-10%	(876,473)	(631,061)

EMEA region includes equity price risk exposures in South Africa.

29.4 Capital risk

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 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 the borrowings (excluding derivative financial liabilities) disclosed in notes 17 cash and cash equivalents disclosed in note 5 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 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. It is required to hold at all times adjusted liquid capital which is adequate to fund its fixed expenditure for a period of 13 weeks. This is calculated in accordance with the JSE Directive DC for the following year at 25% of total fixed cost amounts.

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:

	Figures in Rand	
	2019	2018
Share capital	290,327,100	290,327,100
Accumulated loss	(107,588,922)	(206,559,433)
Subordinated debt	600,000,000	600,000,000
	782,738,178	683,767,667

Notes to the financial statements
for the financial year ended 31 March 2019 (continued)

Note 30. Fair values of financial assets and financial liabilities

Fair value reflects the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Quoted prices or rates are used to determine fair value where an active market exists. If the market for a financial instrument is not active, fair values are estimated using present value or other valuation techniques, using inputs based on market conditions prevailing on the measurement date.

The values derived from applying these techniques are affected by the choice of valuation model used and the underlying assumptions made regarding inputs such as timing and amounts of future cash flows, discount rates, credit risk, volatility and correlation.

Financial instruments measured at fair value are categorised in their entirety, in accordance with the levels of the fair value hierarchy as outlined below:

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

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

IFRS 13 Fair Value Measurement requires use of the price within the bid-offer spread that is most representative of fair value. Valuation systems will typically generate mid - market prices. The bid-offer adjustment reflects the extent to which bid-offer costs would be incurred if substantial all residual net portfolio market risks were closed using available hedging instruments.

The following methods and significant assumptions have been applied in determining the fair values of financial instruments which are carried at amortised cost:

- the fair values of liquid assets and other instruments maturing within three months are approximate to their carrying amounts. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities;
- the fair value of fixed rate loans and debt investments carried at amortised cost is estimated by reference to current market rates offered on similar loans and the credit worthiness of the borrower;
- the fair value of balances due from/to related entities are approximate to their carrying amount as the balances are generally short term in nature.

The following methods and significant assumptions have been applied in determining the fair values of financial instruments which are measured at fair value:

- Trading assets and liabilities, derivative financial instruments and other transactions undertaken for trading purposes are measured at fair value by reference to quoted market prices when available (for example listed securities). If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques;
- Financial investment at FVTPL are measured at fair value by reference to quoted market prices when available (for example listed securities). If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques;
- fair values of fixed rate loans and issued debt classified as at FVTPL and FVOCI is estimated by reference to current market rates offered on similar loans and issued debt;
- for financial assets carried at fair value, in order to measure counterparty credit risk, a Credit Valuation Adjustment (CVA) is incorporated into the valuation. The CVA is calculated at a counterparty level taking into account all exposures to that counterparty; and
- for financial liabilities carried at fair value, in order to measure the Company's own credit risk, a Debit Valuation Adjustment (DVA) is incorporated into the valuations.

Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated periodically to test that outputs reflect prices from observable current market transactions in the same instrument or other available observable market data. To the extent possible, models use only observable market data (for example for OTC derivatives), however management is required to make assumptions for certain inputs that are not supported by prices from observable current market transactions in the same instrument, such as volatility and correlation.

The fair values calculated for financial assets which are carried on the balance sheet at amortised cost are for disclosure purposes only. The methods and assumptions applied to derive these fair values, as described earlier, can require significant judgement by management and therefore may not necessarily be compared to other financial institutions.

The following table summarises the levels of the fair value hierarchy for financial instruments measured at fair value:

	Figures in Rand			
2019	Level 1	Level 2	Level 3	Total
Assets				
Trading assets	4,349,163,954	-	-	4,349,163,954
Derivative assets	52,369,835	2,230,427,756	-	2,282,797,591
Financial Investments	-	3,539,030,126	-	3,539,030,126
Total assets	4,401,533,789	5,769,457,882	-	10,170,991,671
Liabilities				
Trading liabilities	2,045,877,464	-	-	2,045,877,464
Derivative liabilities	53,255,826	129,287,931	14,109,918	196,653,675
Financial liabilities at fair value through profit or loss	-	3,604,818,507	-	3,604,818,507
Total liabilities	2,099,133,290	3,734,106,438	14,109,918	5,847,349,646

Notes to the financial statements
for the financial year ended 31 March 2019 (continued)

The following tables summarise the levels of the fair value hierarchy for financial instruments measured at fair value of the Company at 31 March 2018:

2018	Level 1	Level 2	Level 3	Total
	Figures in Rand			
Assets				
Trading assets	122,999,616	-	-	122,999,616
Derivative assets	131,238,093	800,852,253	-	932,090,346
Financial Investments	-	2,489,667,177	94,520,700	2,584,187,877
Total assets	254,237,709	3,290,519,430	94,520,700	3,639,277,839
Liabilities				
Trading liabilities	742,585,541	-	-	742,585,541
Derivative liabilities	130,206,685	367,403	-	130,574,088
Financial liabilities at fair value through profit or loss	-	2,344,094,669	114,233,608	2,458,328,277
Total liabilities	872,792,226	2,344,462,072	114,233,608	3,331,487,906

The Level 1 Derivative Financial instruments relate to listed futures.

In 2018 financial investments in level 3 represent investments into unlisted funds where the value is based on the Net Asset Value of the fund.

In 2018 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.

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

During the year there were no transfers of securities from Level 1 to Level 2 of the fair value hierarchy. The following tables shows a reconciliation from beginning balances to ending balances for fair value measurements in Level 3 of the fair value hierarchy.

The details of the funds are as follows:	**% Holding**	Figures in Rand **Holding**	**Assets under management**
2018			
Blue Ink Fixed Income Fund	7.4%	69,473,851	941,238,585
Blue Ink Long Short Aggressive Fund	5.3%	25,046,849	473,001,862

2019

	Derivative liability	**Financial Investment**	**Financial liabilities at fair value through profit or loss**
Opening Balances	**-**	**94,520,700**	**114,233,606**
Purchases	**14,109,918**	**-**	**-**
Disposals	**-**	**(94,520,700)**	**(114,233,606)**
	14,109,918	**-**	**-**

2018

	Derivative liability	Financial Investment	Financial liabilities at fair value through profit or loss
Opening Balances	2,986,138	111,634,803	106,367,287
Disposals	-	(33,000,059)	-
Total gains and (losses) in profit or loss	(2,986,138)	15,885,956	7,866,319
	-	94,520,700	114,233,606

Figures in Rand	**Movement of +10%**		**Movement of -10%**	
	2019	2018	**2019**	2018
Sensitivity of Level 3 assets	**Sensitivity of profit before tax**	Sensitivity of profit before tax	**Sensitivity of profit before tax**	Sensitivity of profit before tax
Financial Investments	-	9,452,070	-	(9,452,070)
Financial liabilities at fair value through profit or loss	-	(8,020,051)	-	8,020,051
Derivative liability	**1,410,992**	-	**(1,410,992)**	-

Current year level 3 derivative liability sensitive to change in variable relating to the future dividend and the volatility.

The previous year level 3 assets are sensitive to unlisted fund prices. The change in variable relating to the derivative financial instruments relates to the future dividend and the volatility. The change in variable relating to the financial assets and liabilities at fair value through profit and loss relates to unlisted fund prices. If there are any inputs into the model that have a significant impact on the fair value of the financial instrument and cannot be observed in the market, the financial instrument is classified as Level 3.

Observable inputs are those that are either quoted in the market (e.g., LIBOR interest rate curve), or can be inferred from publicly available data in the market place (e.g., valuation multiples of publicly listed companies; implied volatilities on actively exchange traded options of a comparable Company, etc.). Unobservable inputs include data that cannot be obtained or inferred from market data (e.g., Company forecasts; use of historical volatility to value an option derivative, estimating the future cash flows of the business or recovery of impaired loans etc).

Notes to the financial statements
for the financial year ended 31 March 2019 (continued)

Note 31. Segment reporting

The entity operates as a part of Commodity Global Market (CGM) business unit which is the only primary trading segment. The trading segment includes the revenue generating activities with respect to derivatives trading, providing financial solutions for corporate clients and stock lending and borrowing activities which support the trading business.

Till previous year, the Company used to present three distinct segments such as Trading, Treasury and Corporate Head Office. However in order to allocate resources to the segment and to asses its performance the management considered the above mentioned segments as one operating segment for assessment of performance of business.

Segment has 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.

Due to the nature of the trading activities, the Chief Operating Decision Maker reviews the net interest to make decisions on allocating resources.

Note 32. Lease commitments

Operating lease commitments

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

	Figures in Rand	
Lease of premises	**2019**	2018
- within one year	**4,188,133**	3,885,095
- later than 1 year but less than 5 years	**1,430,547**	5,618,680

Note 33. Events after the reporting date

There were no material events subsequent to 31 March 2019 that have not been reflected in the financial statements.

Note 34. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Macquarie Securities South Africa Limited on 27 June 2019.

Note 35. Going concern

Following losses in the prior year, the Company enjoyed a strong performance with a net profit before tax of R72m. The entity had a Net Asset Value of R182m. It has subordinated loans of R600m (note 17) and has access to short term liquidity from the Macquarie Group. Management have performed assessments and concluded 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 deferred tax asset has only been recognised to the extent that future taxable profits are probable. This has been based on forecast revenue and expenses for a 5 year period. Deferred tax assets have not been recognised for expected future taxable profit beyond this 5 year period due to uncertainty in forecasting beyond the period.

Note 36. Categories of financial instruments

2019		Figures in Rand				
Assets	**Notes**	**Financial assets at FVTPL**	**Financial asset at amortised cost**	**Financial liabilities at FVTPL**	**Financial liability at amortised cost**	**Total**
Cash and bank	5	-	5,179,549	-	-	5,179,549
Collateral on securities borrowed and reverse repurchase agreements	6	-	2,054,130,500	-	-	2,054,130,500
Trading assets	7	4,349,163,954	-	-	-	4,349,163,954
Derivative assets		2,282,797,591	-	-	-	2,282,797,591
Margin money and settlement assets	8	-	328,897,621	-	-	328,897,621
Financial Investments	9	3,539,030,126	-	-	-	3,539,030,126
Loan assets	10	-	149,475,000	-	-	149,475,000
Other assets	11	-	67,160,863	-	-	67,160,863
		10,170,991,671	2,604,843,533	-	-	12,775,835,204

Notes to the financial statements
for the financial year ended 31 March 2019 (continued)

Note 36. Categories of financial instruments (continued)

Figures in Rand

Liabilities	Notes	Financial assets at FVTPL	Financial asset at amortised cost	Financial liabilities at FVTPL	Financial liability at amortised cost	Total
Collateral on securities lent and repurchase	6	-	-	-	6,430,607,498	6,430,607,498
Trading liabilities	15	-	-	2,045,877,464	-	2,045,877,464
Derivative liabilities		-	-	196,653,675	-	196,653,675
Margin money and settlement liability	16	-	-	-	340,010,203	340,010,203
Financial liabilities at fair value through profit or	17	-	-	3,604,818,507	-	3,604,818,507
Other liabilities	18	-	-	-	49,367,931	49,367,931
Intercompany financial liabilities at fair value	19	-	-	-	-	-
		-	-	- 5,847,349,646	6,819,985,632	12,667,335,278

2018

Figures in Rand

Assets	Notes	Financial assets at FVTPL	Financial asset at amortised cost	Financial liabilities at FVTPL	Financial liability at amortised cost	Total
Cash and bank	5	-	2,574,327	-	-	2,574,327
Collateral on securities borrowed and reverse repurchase agreements	6	-	536,620,705	-	-	536,620,705
Trading assets	7	122,999,616	-	-	-	122,999,616
Derivative assets		932,090,346	-	-	-	932,090,346
Margin money and settlement assets	8	-	64,841,833	-	-	64,841,833
Financial Investments	9	2,584,187,877	-	-	-	2,584,187,877
Loan assets	10	-	153,191,259	-	-	153,191,259
Other assets	11	-	10,567,940	-	-	10,567,940
		3,639,277,839	767,796,064	-	-	4,407,073,903

Figures in Rand

Liabilities	Notes	Financial assets at FVTPL	Financial asset at amortised cost	Financial liabilities at FVTPL	Financial liability at amortised cost	Total
Collateral on securities lent and repurchase	6	-	-	-	25,556,000	25,556,000
Trading liabilities	15	-	-	742,585,541	-	742,585,541
Derivative liabilities		-	-	130,574,088	-	130,574,088
Margin money and settlement liability	16	-	-	-	48,535,568	48,535,568
Financial liabilities at fair value through profit or	17	-	-	2,458,328,277	-	2,458,328,277
Other liabilities	18	-	-	-	20,700,789	20,700,789
Intercompany financial liabilities at fair value	19	-	-	948,767,673	-	948,767,673
		-	-	- 4,280,255,579	94,792,357	4,375,047,936