MACQUARIE SECURITIES SOUTH AFRICA LIMITED

Incorporated in South Africa
Registration Number 2006/023546/06

MACQUARIE

Annual Report
for the financial year ended 31 March 2020

Macquarie Securities South Africa Limited

General Information
For the financial year ended 31 March 2020

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	Graham Crawford
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 Rishi Chawla
Chartered Accountants (India)

2020 Annual Report
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Report of the Audit Committee
For the financial year ended 31 March 2020

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.

Report of the Audit Committee
For the financial year ended 31 March 2020

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.

Emphasis of significant matters

The Committee has reviewed the Company's financial position and ability to continue as a going concern. As at 31st March 2020, the Company has an excess of total liabilities over total assets of R104.2m. On 11 June 2020, the Company had issued 1,315,789,474 class C no par value ordinary shares at a price of R19 cents each to its parent Macquarie EMG Holdings Pty Limited. The issuance of shares has resulted in positive net asset position subsequent to balance sheet date.

During the year, due to business restructuring the Company had scaled down its trading operations in South Africa and transferred certain contracts and related positions to its related entity Macquarie Bank Limited London Branch. In March 2020, majority of the trades were unwound with the exception of primarily the OTC derivatives, interest rate swaps, Debt Medium Term Note Programme (DMTN). The Company intends to de-list its Debt Instrument Programme registered with the Johannesburg Securities Exchange (JSE) and accordingly in April 2020, external notes under DMTN programme were also redeemed. The open OTC derivative positions will expire in February 2023 and as part of the business strategy, the management has intention to novate these positions. Subject to regulatory approvals, the Company will surrender its JSE licences and will continue its operations as Private Limited Company.

Discussions with management includes the 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.

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 2020 to the Board.

Timothy Leclercq
Chairperson: Board Audit Committee

Report of Corporate Governance

For the financial year ended 31 March 2020

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 R10,000,000,000 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 2020 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.

Graham Crawford

Company Secretary

Date 25 June 2020

Directors' Report
For the financial year ended 31 March 2020

In accordance with a resolution of the Directors of Macquarie Securities South Africa Limited ("the Company"), the Directors submit herewith the financial statements of the Company and report as follows:

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
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

Principal activities

The principal activities of the Company during the financial year ended 31 March 2020 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 (loss)/profit attributable to ordinary equity holder for the current financial year was (R286.7m) (2019: R99.4m).

State of affairs

During the year, due to business restructuring the Company had scaled down its trading operations in South Africa and transferred certain positions to its related entity Macquarie Bank Limited London Branch, which led to significant decrease in the Company's trading activities.

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

Review of operations

The loss attributable to ordinary equity holders of the Company for the current financial year was R286.7m, as compared to R99.4m profit in the previous financial year.

The primary reason for the loss in current financial year is the increase in net interest expense by R357m.

Net trading income for the current financial year was R168.5m, a increase of 120 percent from R76.6m in the previous financial year.

Net operating expense for the current financial year was (R122m), as compared to an income of R157.6m in the previous financial year.

Total operating expenses for the current financial year were R99.8m, an increase of 17 percent from R85.3m in the previous financial year.

Directors' Report
For the financial year ended 31 March 2020 (continued)

Going concern
The directors have reviewed the financial statements 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. Refer to Events after reporting period below.

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
Subsequent to the end of reporting period, on 11 June 2020, the Company issued 1,315,789,474 class C no par value ordinary shares at a price of R19 cents each to its parent Macquarie EMG Holdings Pty Limited. This resulted in positive net asset position subsequent to balance sheet date. In addition, for Covid-19 consideration refer note 2 Coronavirus (COVID-19) impact.

Independent auditor
PricewaterhouseCoopers Inc. continued in office as auditors for the Company for 2020.

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 2021 financial year.

Secretary
The Company secretary is Graham Crawford .

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 52, which have been prepared on the going concern basis, were approved by the board on 25 June 2020, and were signed on its behalf by:

Nikolai Mavrodinov Director	Graham Crawford Director

Cape Town
25 June 2020

Directors' Responsibilities and Approval

For the financial year ended 31 March 2020

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 2021 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 52, which have been prepared on the going concern basis, were approved by the board on 25 June 2020 and were signed on their behalf by:

Nikolai Mavrodinov

Graham Crawford

Independent auditor's report

To the Shareholders of Macquarie Securities South Africa Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Macquarie Securities South Africa Limited (the Company) as at 31 March 2020, and its financial performance and its 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 52 comprise:

- the statement of financial position as at 31 March 2020;
- 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.

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Our audit approach

Overview

Materiality	• Overall materiality: R 6,925,000, which represents 5% of average profit before income tax for the past 3 years.
Key audit matter	• Valuation of derivative assets as at 31 March 2020.

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.

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 Company, the accounting processes and controls, and the industry in which the Company operates.

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 6,925,000.*
How we determined it	*5% of average profit before income tax for the past 3 years.*
Rationale for the materiality benchmark applied	*We chose average profit before income tax for the past 3 years as the benchmark because, in our view, it is the benchmark against which the performance of the Company can be consistently measured by users when profits are volatile year-on-year, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.*

Key audit matters

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

Key audit matter	*How our audit addressed the key audit matter*
Valuation of derivative assets as at 31 March 2020 The Company's derivative assets amount to a significant portion of the total assets of the Company as at 31 March 2020. These derivative assets include exchange traded equity future derivatives of R59.2 million and Over-the-Counter (OTC) derivatives of R1,687.5 million, and are measured at fair value. Management makes use of entity-developed internal models to determine the fair value of these derivative assets. To the extent possible, these models use only observable market data, however management has 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. We considered the valuation of derivative assets to be a matter of most significance to the current year audit due to the significant management judgement and high estimation uncertainty involved in the valuation of these instruments. Refer to the following notes to the financial statements: • Note 2 ix): Summary of significant accounting policies - Derivative instruments; • Note 27: Derivative financial instruments; • Note 28.1: Financial risk management - Credit risk; and • Note 29: Fair values of financial assets and financial liabilities.	Our procedures included the following: We obtained an understanding of the design and implementation of internal controls relevant to the valuation of the Company's derivative assets. We tested key controls relating to the valuation of these instruments, including controls over: - approval and validation of the models adopted; - accuracy of data inputs to models; and - governance and review. We made use of our valuation expertise to perform the following procedures: - We obtained the contracts which related to the instruments from management and agreed all the inputs used by management at deal level to the contracts. No material differences were noted; - We independently sourced the relevant market data from third party external data providers and compared this to data used by management in their calculation. Based on our work performed, we accepted the data used by management; - Based on generally accepted methodology, we developed a bespoke model that captures all of the intricacies of all the contracts. We independently calculated the value of all the instruments and compared it to management's valuations. Management's fair values fell within our ranges of independently determined values.

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 Annual Report for the financial year ended 31 March 2020", 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.

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 13 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: D Khalfey

Registered Auditor

Cape Town

25 June 2020

Income statement
For the financial year ended 31 March 2020

Figures in Rand	Notes	2020 [1]	2019
Interest and similar income		**550,455,171**	546,509,186
Interest and similar expense		**(831,792,947)**	(470,842,308)
Net interest (expense)/income	3	**(281,337,776)**	75,666,878
Fee and commission income		**-**	9,002,812
Fee and commission expense		**(9,748,886)**	(3,516,588)
Net fee and commission (expense)/income	3	**(9,748,886)**	5,486,224
Net trading income	3	**168,510,143**	76,577,507
Other operating income and charges	3	**562,817**	(79,998)
Net operating (expense)/income		**(122,013,702)**	157,650,611
Employment expenses	3	**(14,414,921)**	(29,071,067)
Occupancy expenses	3	**(6,774,989)**	(8,412,227)
Non-salary technology expenses	3	**(3,122,451)**	(1,864,927)
Other operating expenses	3	**(75,455,871)**	(45,958,179)
Total operating expenses		**(99,768,232)**	(85,306,400)
Operating (loss)/profit before income tax		**(221,781,934)**	72,344,211
Income tax (expense)/benefit	4	**(64,974,841)**	27,094,826
(Loss)/profit after income tax		**(286,756,775)**	99,439,037
(Loss)/profit attributable to ordinary equity holder of Macquarie Securities South Africa Limited		**(286,756,775)**	99,439,037

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

[1]The March 2020 financial results reflect the adoption of IFRS 16 Leases (IFRS 16) on 1 April 2019. As permitted by IFRS 16, the Company has not restated the comparative financial reporting period. Refer to note 2(i) for the impact on the initial adoption of IFRS 16.

Statement of comprehensive income
For the financial year ended 31 March 2020

Figures in Rand	2020	2019
(Loss)/profit after income tax	**(286,756,775)**	99,439,037
Other comprehensive income	-	-
Total comprehensive (loss)/income	**(286,756,775)**	99,439,037
Total comprehensive (loss)/income attributable to ordinary equity holder of Macquarie Securities South Africa Limited	**(286,756,775)**	99,439,037

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

Statement of financial position
As at 31 March 2020

Figures in Rand	Notes	2020 [1]	2019
Assets			
Cash and bank balances	5	**6,929,774**	5,179,549
Cash collateral on securities borrowed and reverse repurchase agreements	6	**-**	2,054,130,500
Trading assets	7	**44,490,863**	4,349,163,954
Derivative assets	27	**1,746,772,959**	2,282,797,591
Margin money and settlement assets	8	**205,482,520**	328,897,621
Financial Investments	9	**1,298,357,638**	3,539,030,126
Loan assets	10	**-**	149,475,000
Other assets	11	**5,867,613**	67,160,863
Property, plant and equipment	12	**2,412,090**	7,122,114
Interests in associate	13	**300**	300
Deferred tax assets	14	**3,728,007**	67,750,073
Total assets		**3,314,041,764**	12,850,707,691
Liabilities			
Cash collateral on securities lent and repurchase agreements	6	**58,000,026**	6,430,607,498
Trading liabilities	15	**1,039,750,361**	2,045,877,464
Derivative liabilities	27	**93,990,407**	196,653,675
Margin money and settlement liabilities	16	**108,500,021**	340,010,203
Financial liabilities at fair value through profit or loss	17	**1,998,148,703**	3,604,818,507
Other liabilities	18	**119,348,046**	49,367,931
Provisions	19	**567,285**	634,235
Total liabilities		**3,418,304,849**	12,667,969,513
Net (liabilities)/assets		**(104,263,085)**	182,738,178
Equity			
Share capital	20	**290,327,100**	290,327,100
Accumulated losses	21	**(394,590,185)**	(107,588,922)
Total capital and accumulated losses attributable to ordinary equity holder of Macquarie Securities South Africa Limited		**(104,263,085)**	182,738,178
Total equity		**(104,263,085)**	182,738,178

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

[1] The March 2020 financial results reflect the adoption of IFRS 16 Leases (IFRS 16) on 1 April 2019. As permitted by IFRS 16, the Company has not restated the comparative financial reporting period. Refer to note 2(i) for the impact on the initial adoption of IFRS 16.

Statement of changes in equity
For the financial year ended 31 March 2020

Figures in Rand	Notes	Share capital	Accumulated losses	Total equity
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**
Change on the initial application of IFRS 16	**2(i)**	**-**	**(244,488)**	**(244,488)**
Restated balance as at 1 April 2019		**290,327,100**	**(107,833,410)**	**182,493,690**
Loss after income tax		-	**(286,756,775)**	**(286,756,775)**
Other comprehensive income, net of tax		-	-	-
Total comprehensive income, net of tax		**-**	**(286,756,775)**	**(286,756,775)**
Balance as at 31 March 2020		**290,327,100**	**(394,590,185)**	**(104,263,085)**

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

Statement of cash flows
For the financial year ended 31 March 2020

Figures in Rand	Notes	2020 [2]	2019[1]
Cash flows generated from operating activities			
(Loss)/profit before income tax		**(221,781,934)**	72,344,211
Adjustments to profit after income tax:			
Interest and similar income	3	**(550,455,171)**	(546,509,186)
Interest and similar expense	3	**831,792,947**	470,842,308
Depreciation	3	**7,018,029**	5,422,351
Share based payment expense	3	**27,639**	188,560
Provision for long service and annual leave	3	**100,296**	268,029
Other operating income and charges		**(562,817)**	79,998
Changes in working capital:			
Cash collateral on securities		**(4,318,476,972)**	4,887,541,703
Change in net trading portfolio		**3,298,545,988**	(2,922,872,415)
Change in net derivative financial instruments		**433,361,364**	(1,284,627,658)
Change in net margin money and settlement		**(108,095,081)**	7,726,294
Change in financial Investments		**2,240,672,488**	(954,842,249)
Change in other assets and labilities		**123,833,301**	(28,216,618)
Change in loan assets		**150,037,817**	3,716,259
Change in financial liabilities at fair value through profit or loss		**(1,606,669,804)**	1,146,490,230
Change in provision for employment entitlements		**(66,950)**	(618,868)
Cash generated from operations		**279,281,140**	856,932,949
Interest and similar income received		**567,775,758**	535,134,206
Interest expense and similar charges paid		**(841,633,490)**	(460,363,570)
Interest expense paid on lease liabilities		**(242,240)**	-
Net cash from operating activities		**5,181,168**	931,703,585
Cash flows used in investing activities			
Payments for acquisition of property, plant and equipment	12	**(116,448)**	(23,243)
Proceeds from the disposal of property, plant and equipment	12	**18,078**	-
Net cash used in investing activities		**(98,370)**	(23,243)
Cash flows used in financing activities			
Repayment of debt issued		**-**	(948,767,673)
Payments for principal component of lease liability[3]		**(3,332,573)**	-
Net cash used in financing activities		**(3,332,573)**	(948,767,673)
Net increase in cash and cash equivalents		**1,750,225**	(17,087,331)
Cash and cash equivalents at the beginning of the financial year		**5,179,549**	22,266,880
Cash and cash equivalents at the end of the financial year	22	**6,929,774**	5,179,549

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

[1]Refer to note to 2 *Changes in statement of cash flows* and note 22 *Notes to the statement of cash flows* for an explanation of the re-presentation of certain comparative financial information.

[2]The March 2020 financial results reflect the adoption of IFRS 16 Leases (IFRS 16) on 1 April 2019. As permitted by IFRS 16, the Company has not restated the comparative financial reporting period. Refer to note 2(i) for the impact on the initial adoption of IFRS 16.

[3] R3.3m was the total cash outflow for leases during the current financial year.

Notes to the financial statements
For the financial year ended 31 March 2020

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 2020 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 Financial Report has been prepared in accordance with and containing information required by International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides (as issued by the Accounting Practices Committee) and Financial Reporting Pronouncements (as issued by the Financial Reporting Standards Committee) and comply with the South African Companies Act No. 71 of 2008.

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

Financial statements are presented in South African Rands.

Net asset deficiency and Going Concern

The financial statements for the current year have been prepared on a going concern basis, despite there being an excess of total liabilities over total assets at 31 March 2020 of R104,263,085. On 11 June 2020, the Company issued 1,315,789,474 class C no par value ordinary shares at a price of R19 cents each to its parent, Macquarie EMG Holdings Pty Limited. The subscription of shares by the Parent Company resulted in a positive net asset position subsequent to the balance sheet date.

During the year, due to business restructuring, the Company had scaled down its trading operations in South Africa and transferred certain contracts and related positions to its related entity Macquarie Bank Limited London Branch. In March 2020, the majority of the trades were unwound with the exception of primarily the OTC derivatives, interest rate swaps and Debt Medium Term Note Programme (DMTN). The Company intends to de-list its Debt Instrument Programme registered with the Johannesburg Securities Exchange (JSE) and accordingly in April 2020, external notes under the DMTN programme were also redeemed. The open OTC derivative positions will expire in February 2023 and as part of the business strategy, the management has the intention to novate these positions. Subject to regulatory approvals, the Company will surrender its JSE licences and will continue its operations as a private company.

Based on the level of activities of the Company, it has adequate financial resources, including access to borrowing facilities and additional equity from Macquarie Group Companies, to continue its operations. Accordingly the financial statements have been prepared on a going concern basis.

Basis of measurement

The financial report has been prepared under the historical cost convention except for financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

Changes in Entity's statement of cash flows

In order to more closely align with the Company's cash and liquid assets portfolio, the Company has reviewed the balances included in the determination of cash and cash equivalents. The review concluded that for the year ended 31 March 2019 margin money balances held with clearing houses have been excluded from cash and cash equivalent as these balances are held for trading purposes and are not available to meet the Company's short-term cash commitments. (Refer note 2(xviii) Cash and Cash Equivalents).

As a result of these changes, cash flow from operating activities and cash and cash equivalents decreased by R9.2m for the year ended 31 March 2019. This revision had no impact on the Company's statements of financial position, income statements or reserves.

Critical accounting estimates and significant judgements

The preparation of this Financial Report in compliance 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 a Financial asset constitute solely payment of principal and interest (SPPI) (notes 2 (vi));
- the choice of inputs, estimates and assumptions used in the measurement of Expected Credit Loss (ECL) including the determination of significant increase in credit risk (SICR), forecast of economic conditions and the weightings assigned thereto (notes 2 (xiii));
- fair value of financial assets and financial liabilities (note 9, 10 and17);
- recoverability of tax recoverable, deferred tax assets and measurement of current and deferred tax liabilities can require significant judgement, particularly where the recoverability of such tax balances relies on the estimation of future taxable profits and management's determination of the likelihood that uncertain tax positions will be accepted by the relevant taxation authority (notes 2(iv), 4 and 14).

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

Management believes that the estimates used in preparing 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 management's assumptions and estimates could require an adjustment to the carrying amounts of the reported assets and liabilities in future reporting periods.

Notes to the financial statements
For the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

i) Basis of preparation (continued)

Coronavirus (COVID-19) impact

Background

COVID-19, which is a respiratory illness caused by a new virus, was declared a world-wide pandemic by the World Health Organisation in March 2020. COVID-19, as well as measures to slow the spread of the virus, have since had a significant impact on global economies and equity, debt and commodity markets. The Company has considered the impact of COVID-19 and other market volatility in preparing its financial statements.

While the specific areas of judgement as noted on the previous page did not change, the impact of COVID-19 resulted in the application of further judgement within those identified areas. Given the dynamic and evolving nature of COVID-19, limited recent experience of the economic and financial impacts of such a pandemic, and the short duration between the declaration of the pandemic and the preparation of these financial statements, changes to the estimates and outcomes that have been applied in the measurement of the Company's assets and liabilities may arise in the future. The impact of events that arise after the reporting period will be accounted for in future reporting periods.

Processes applied

As a consequence of COVID-19 and in preparing these financial statements, management:

- re-evaluated whether there were any additional areas of judgement or estimation uncertainty beyond what has been disclosed above;
- updated its economic outlook – principally for the purposes of inputs into its ECL through the application of forward-looking information, but also for input into the impairment analysis of financial and non-financial asset classes and disclosures such as fair value disclosures of financial assets and liabilities;
- conducted several internal processes to ensure consistency in the application of the expected impact of COVID-19 across all asset classes;
- assessed the carrying values of its assets and liabilities and determined the impact thereon as a result of market inputs and variables impacted by COVID-19; and
- considered the impact of COVID-19 on the Company's financial statement disclosures.

Consideration of the statements of financial position and further disclosures

Key items in the statement of financial position and the related disclosures that have been impacted by COVID-19 were as follows:

Trading assets, trading liabilities and financial investments

Given recent market volatility, the Company reviewed the appropriateness of the inputs to its valuations, which included the use of correlations, price volatilities, funding costs and bid offer, counterparty and own credit spreads.

The impact of changes in valuation inputs as at the balance sheet date has also been considered in terms of the classification of exposures in the fair value hierarchy, transfers within the fair value hierarchy and the Level 3 sensitivity analysis.

The Company's financial investments include an unlisted equity investment which, in accordance with the Company's accounting policies, are measured at FVTPL. The determination of the investments' carrying value included a consideration of the impact of COVID-19.

Derivative assets and liabilities

Given recent market volatility, the Company reviewed the appropriateness of the inputs to its valuations as at the balance sheet date. These included valuation adjustments (XVA) and notably the credit valuation adjustment (CVA), debit valuation adjustment (DVA) and funding valuation adjustment (FVA). The impact of changes of inputs to the valuations has also been considered in terms of the classification of exposures in the fair value hierarchy and transfers within the fair value hierarchy.

Other assets

In response to COVID-19 the Company undertook a review of wholesale portfolios and other financial asset exposures and the ECL for each. The review considered the macroeconomic outlook, customer credit quality, the type of collateral held, exposure at default, and the effect of payment deferral options as at the reporting date. The ECL methodology, SICR thresholds, and definition of default remained consistent with prior periods. The impact of COVID-19 on the credit risk management disclosures, notably in relation to credit quality and collateral and other credit enhancements was also considered. Refer to note 28 - *Financial risk management*.

Property, plant and equipment

Given the impact of COVID-19, the Company's property, plant and equipment was subject to impairment testing which concluded that no material impairment was required. Refer to note 12 - *Property, plant and equipment.*

Risk management

A robust risk management framework continues to be applied and the Risk Management Group (RMG) continues to monitor the impact of COVID-19 on the Company's risk profile. Non-financial risks emerging from global movement restrictions, and remote working by our staff, counterparties, clients and suppliers, are being identified, assessed, managed and governed through timely application of the Company's risk management framework.

Notes to the financial statements
For the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

i) Basis of preparation (continued)

(a) New Accounting Standards and amendments to Accounting Standards that are either effective in the current financial year or have been early adopted

(i) IFRS 16 *Leases*

IFRS 16 Leases replaces the IAS 17 Leases for the Company's financial reporting period commencing on 1 April 2019 subject to certain exceptions, contracts that are leases within the scope of IFRS 16 from the lessee's perspective require the recognition of a 'right-of-use' (ROU) asset and a related lease liability. The classification of leases where the Company is lessor remains unchanged under IFRS 16.

Transition

The Company has applied IFRS 16 from 1 April 2019 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and Interpretation for Determining whether an arrangement contains a lease. The resultant reclassifications and adjustments arising upon transition to the new standard have been recognised in the opening balance sheet on 1 April 2019.

For leases of office space, a transition adjustment was recognised as an adjustment to the Company's retained earnings as at 1 April 2019 for leases where the Company measured the ROU as if IFRS 16 had always been applied. For other leases, the ROU asset was measured based on the lease liability as at the transition date.

At transition, the Company recognised lease liabilities of R4.2m as a part of other liabilities and ROU assets of R2.2m as a part of property, plant and equipment. After adjusting related amounts previously recorded on the statement of financial position, this resulted in a reduction to retained earnings of R244k (post tax). As permitted by IFRS 16, the transition adjustment has been determined by the Company by electing practical expedients to not recognise short-term or low value leases on its statement of financial position at the transition date. Judgement has been applied by the Company in determining the transition adjustment which includes the determination of which contractual arrangements represent a lease, the period over which the lease exists, the incremental borrowing rate of the lessee entities within the Macquarie Group, and the variability of future cash flows.

The table below presents a reconciliation of the operating lease commitments as disclosed in the Company's 31 March 2019 financial statements, to the lease liabilities recognised on the transition date:

(Figures in Rand)

Particulars	Amount
Operating lease commitments disclosed as at 31 March 2019	4,470,885
(Less): Impact of discounting the future lease cash flows at the incremental borrowing rate of each lease (weighted average rate of 8.53%)	(262,173)
Lease liability recognised as at 1 April 2019	4,208,712

The key changes in the Company's significant accounting policies following the transition to IFRS 16 have been included within the relevant sections of this note and other notes in this Financial Report. Accounting policies applicable to the prior period have been provided in italics as appropriate for comparability purposes.

(ii) IAS 19 – Employee Benefits

Amendments to IAS 19 Employee Benefits specifies how an entity should account for defined benefit plans when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments require the use the assumptions used 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 to IAS 19 which was applied by the Company from 1 April 2019 did not have material impact to the Company's financial statements.

Notes to the financial statements
For the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

i) Basis of preparation (continued)

(b) New Accounting Standards and amendments to Accounting Standards that are not yet effective in the current financial year

(i) IASB Revised Conceptual Framework for Financial Reporting

The revised IASB is effective for the Company's annual financial reporting period beginning on 1 April 2020.

The IASB Framework provides the IASB with a base of consistent concepts upon which future accounting standards will be developed. The IASB Framework will also assist financial report preparers to develop accounting policies when there is no specific or similar standard that addresses an issue.

The IASB Framework includes amendments to the definition and recognition criteria for assets, liabilities, income and expenses, guidance on measurement and derecognition, and other relevant financial reporting concepts. The application of the IASB Framework from April 1 2020 is not expected to have a material impact on the Company's financial statements. However, management's impact assessment of the IASB Framework identified changes necessary to the Company's statement of financial position as at 31 March 2020, as explained in note 2(i).

ii) Foreign currency translations

The functional currency of the Company is determined as the currency of the primary economic environment in which the Company operates. 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 Company's 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 net trading income.

Translation differences on financial instruments measured at fair value through profit or loss, are reported as part of the fair value gain or loss in the income statement.

iii) Revenue and expense recognition

Net Interest income and expense

Interest income and interest expense are recognised using the effective interest rate (EIR) method for financial assets, including finance lease assets and financial 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 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(or when appropriate, a shorter period) of the instrument in accordance with the EIR method.

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

Interest income on financial assets that are not credit-impaired is determined by applying the financial asset's EIR to the financial asset's gross carrying amount. Interest income and expense on financial assets and liabilities that are classified as FVTPL is accounted for on a contractual rate basis.

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.

Net trading income also includes fair value movements on trading assets and liabilities, ineffective portion of designated hedge relationships and fair value changes on derivatives used to economically hedge the Company's interest rate risk where hedge accounting requirements are not met

Notes to the financial statements
For the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

iii) Revenue and expense recognition (continued)

Dividends

Dividends are recognised in the income statement in net trading income when the entity's right to receive 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 on these financial assets are not reported separately from other changes in fair value.

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

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

Deferred tax assets are recognised when temporary differences arise between the tax bases of assets and liabilities and their respective carrying amounts which give rise to a future tax benefit, or when a benefit arises due to unused tax losses. 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 substantively enacted tax law.

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

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.

Notes to the financial statements
For the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

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. These transactions include :
-Reverse repurchase transactions, where the Company purchases underlying under an agreement to resell
-Repurchase transactions, where the Company sells underlying under an agreement to repurchase.

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

The Company uses trade date accounting when recording regular way purchases and sales of these 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. Refer note 2(vi) for the detailed Financial Instruments accounting policy.

vi) Financial instruments

(a) 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 instrument, and fees that are an integral part of the effective interest rate. Transaction costs and fees earned relating to financial instruments carried at FVTPL are recorded in the income statement.

(b) 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; and
– where the Company has transferred the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset.

A financial asset is transferred if, and only if, the Company i) transfers the contractual rights to receive the cash flows of the financial asset, or ii) retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement where:

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

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.

Notes to the financial statements
For the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

(c) 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. For financial instruments measured at amortised cost, and for debt financial assets measured at FVOCI when the modification does not result in de-recognition, a gain or loss is recognised in other income reflecting the adjustment of the gross carrying amount to reflect the renegotiated or modified contractual cash flows discounted at the original EIR.

(d) 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 personnel 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.

Solely payment of principal and interest (SPPI)

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

Amortised cost

A financial asset is subsequently measured at amortised cost using the EIR method where:

(i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(ii) the contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI requirements.

Interest income is determined in accordance with the EIR method

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. This category also includes Cash and bank balances, Cash collateral on securities borrowed and margin money & settlement assets, loan assets, other assets.

Notes to the financial statements
For the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

vi) Financial instruments (continued)

Fair value through profit or loss (FVTPL)

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

For the purposes of the Company's financial statements, the FVTPL classification consist of the following:

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

- financial assets that fail the SPPI test (FVTPL).

Equity financial assets are measured at FVTPL.

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

Reclassification of financial instruments

The Company reclassifies debt financial assets when and only when its business model for managing those assets changes. Financial assets that are reclassified are subsequently measured based on the financial instrument's new measurement category.
The Company does not reclassify financial liabilities after initial recognition.

Financial liabilities

Financial liabilities are subsequently measured at amortised cost, unless they are either HFT purposes.

All derivative financial liabilities and trading liabilities are classified as HFT, except those that are designated as hedging instruments in qualifying hedge relationships and are classified as FVTPL.

The changes in fair value of financial liabilities that are classified as HFT are recognised as part of net trading income. The interest component of financial liabilities that are classified as HFT is recognised in interest expense.

Offsetting of financial instruments

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

vii) 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 is stated at historical cost(which includes directly attributable borrowing costs) less accumulated depreciation and accumulated impairment losses, 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. Property, plant and equipment includes assets leased out under operating leases.

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.

Notes to the financial statements
For the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

vii) Property, plant and equipment (continued)

Right-of-use assets are measured at cost and comprises the amount that corresponds to the amount recognized for the lease liability on initial recognition together with any lease payments made at or before the commencement date (less any lease incentives received), initial direct costs and restoration-related costs.

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

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	Depreciation Rates
Equipment	Straight line	33 to 50%
Furniture and fixtures	Straight line	10 to 20%
Leasehold improvements	Straight line	10 to 20%

Right of use asset	Depreciation Rates
Property	3 to 67%

Useful lives, residual values and depreciation methods are reviewed annually and reassessed in light of commercial and technological developments.

Gain and loss on disposal are determined by comparing proceeds with the asset's carrying amount and are recognised in other income as part of other operating income and charges.

The depreciation charge relating to corporate building leases is presented as part of 'occupancy expenses'. The Company does not recognise a right-of-use asset for short term or low value leases, instead the expense is recognised over the lease term as appropriate as part of 'operating expenses' in the income statement.

viii) Trading assets and liabilities

Trading assets (long positions) comprise of financial instruments such as debt and equity securities. Trading liabilities comprise obligations to deliver assets (short positions) across the same trading categories and which the Company intend 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 as part of net trading income 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 remeasured 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. The Company applies trade date accounting to the recognition and derecognition of derivative financial instruments.

Notes to the financial statements
For the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

ix) Derivative instruments (continued)

Hedge accounting

As part of its ongoing business, the Company is exposed to several financial risks, principally that of interest rate, foreign exchange rates and commodity price risk (collectively referred to as the hedged risk or exposure). The Company has limited appetite for such risks and has policies and practices in place to ensure that these risks are effectively managed. The Company mitigates these risks through the use of derivative financial instruments and, in the case of foreign currency risk, foreign-denominated debt issued (collectively referred to as hedging instruments).

x) Interest in associates

Associates are those entities over which the Company has significant influence or joint but not absolute control and 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.

xi) Loan assets

This category includes loans 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 on settlement date (adjusted for directly attributable transaction costs for loan assets subsequently measured at amortised cost or FVOCI) and subsequently measured in accordance with the Company's accounting policy for financial instruments in note 2 (vi).

xii) Due to/ from body corporate related entities

Transactions between the Company, its parent entity and other related entities principally arise from the provision of lending arrangements and acceptance of funds on deposit and intercompany services and transactions . These transactions are measured at amortised cost except for lending arrangements that do not satisfy the SPPI criterion.

xiii) Impairment

Expected credit losses

The ECL requirements apply to financial assets measured at amortised cost or are classified as FVOCI, lease receivables, amounts receivable from contracts with customers, loan commitments, certain letters of credit and financial guarantee contracts.

The Company applies a three-stage approach ((i) Stage I – 12 month ECL, (ii) Stage II – Lifetime ECL not credit impaired and (iii) Stage III – Lifetime ECL credit impaired) to measure 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). ECL was immaterial in current and previous year.

Presentation of loss allowances

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

Notes to the financial statements
For the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

xiii) Impairment (continued)

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 monies and balances with clearing houses. Margin monies primarily represent deposits placed with clearing house in relation to futures trading and other derivatives transactions. The 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.

xv) Provisions and contingent liabilities

Employee benefits

A liability for employee benefits is recognised by the Company 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.

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.

Contingent liabilities, which generally include letters of credit, indemnities, performance-related contingencies and guarantees (other than financial guarantees) are not recognised in the financial statements but are disclosed in the notes to the financial statements unless they are considered remote

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 entity participates in its ultimate parent company, MGL's share based compensation plans, being the Macquarie Group Employee Retained Equity Plan (MEREP). Information relating to these schemes is set out in note 25 – Employee equity participation. The Company recognises a prepaid asset at grant for these awards, since MGL is reimbursed in advance. This amount is recognized as an expense over the respective vesting periods. MGL recognises a corresponding increase in equity for the equity settled awards to employees.

The awards are measured at the grant date based on their fair value and using the number of equity instruments expected to vest.

Profit share remuneration

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

Notes to the financial statements
For the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

xvii) Leases

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

Accounting where the Company is the lessee

The Company leases corporate buildings, commodity storage facilities, technology and other equipment for which contracts are typically entered into for fixed periods and may include extension options. Leases are recognised as an ROU asset(as explained in Note 2(vii) Property, plant and equipment) and a corresponding liability at the commencement date, being the date, the leased asset is available for use by the Company.

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

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

When the lease liability is remeasured, a corresponding adjustment is made to the carrying value of the ROU asset, or, in the income statement, where the carrying value of the ROU asset has been fully written down.

Presentation
The Company presents ROU assets in 'property, plant and equipment' and lease liabilities in 'other liabilities' in the statement of financial position.

Prior to the adoption of IFRS 16, where the Company was the lessee in an operating lease arrangement, the total fixed payments were charged to the income statement on a straight-line basis over the period of the lease. The difference between the cumulative expense recognised and cash paid was recorded on the balance sheet as either a payable or receivable as appropriate.

xviii) Cash and cash equivalents

Cash and cash equivalents comprises cash and bank balances and non-trading reverse repurchase agreements that have a contractual maturity of three months or less from the date of acquisition and which are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are available to meet Company's short term cash commitments. Cash and cash equivalents exclude margin money balances, trading assets and other balances which are segregated from the Company's own funds and thus restricted from use.

xix) Offsetting of financial instruments

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

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.

xxi) Comparatives

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

Presentation changes
During the current year, the Company has reassessed its policy for cash and cash equivalents definition in cash flow statement and had excluded certain trading related balances not readily available for use as explained in note 22 - Notes to Statements of cash flows. Where necessary, comparative information has been restated to conform to changes in presentation in the current year. In addition, for Covid-19 consideration refer note 2 Coronavirus (COVID-19) impact.

Notes to the financial statements
For the financial year ended 31 March 2020 (continued)

Figures in Rand	2020	2019
Note 3. (Loss)/profit for the financial year		
Net interest (expense)/income		
Interest and similar income		
Interest income on deposits	391,329,893	346,207,299
Interest income on collateral pledged	142,774,670	186,849,684
Interest on intercompany loans	16,350,608	13,452,203
Total interest and similar income	550,455,171	546,509,186
Interest and similar expense		
Interest on loans from financial institutions	(69,735)	(251,511)
Interest on intercompany loans	(271,509,811)	(28,892,161)
Interest expense on collateral received	(289,882,422)	(200,785,693)
Interest expense on other loans	(69,941,086)	(41,010,411)
Interest on listed debt	(200,147,653)	(199,902,532)
Interest on lease liability	(242,240)	-
Total Interest and similar expense	(831,792,947)	(470,842,308)
Net interest (expense)/income	(281,337,776)	75,666,878
Net trading income		
Net trading income	168,510,143	76,577,507
Total net trading income	168,510,143	76,577,507
Other operating income and charges		
Credit impairment reversal/(charges)		
Loan asset	525,008	131
Other assets	37,977	(65,170)
Impairment of investment in associates	-	(120)
Other income	(168)	(14,839)
Total other operating income and charges	562,817	(79,998)
Fee and commission income		
Fee share from a related entity	-	9,002,812
Fee and commission expense		
Fee share from a related entity	(9,748,886)	(3,516,588)
Net fee and commission (expense)/income	(9,748,886)	5,486,224
Net operating (expense)/income	(122,013,702)	157,650,611
Employment expenses		
Salary, and related costs including commissions, superannuation and performance-related profit share	(14,088,742)	(28,428,689)
Share based payments	(27,639)	(188,560)
Provision for long service and annual leave	(100,296)	(268,029)
Total compensation expenses	(14,216,677)	(28,885,278)
Other employment expenses including on-costs, staff procurement and staff training	(198,244)	(185,789)
Total employment expenses	(14,414,921)	(29,071,067)
Occupancy expenses		
Operating lease rentals	(80,223)	(2,693,492)
Depreciation: furniture, fittings and leasehold improvements (note 12)	(6,980,057)	(5,328,547)
Other occupancy income/(expenses)	285,291	(390,188)
Total occupancy expenses	(6,774,989)	(8,412,227)

Notes to the financial statements
For the financial year ended 31 March 2020 (continued)

Figures in Rand	2020	2019
Note 3. (Loss)/profit for the financial year (continued)		
Non-salary technology expenses		
Information services	**(2,812,646)**	(1,581,738)
Depreciation: office equipment (note 12)	**(37,271)**	(93,803)
Service provider and other non technology expenses	**(272,534)**	(189,386)
Total non-salary technology expenses	**(3,122,451)**	(1,864,927)
Other operating expenses		
Management fees, group service charges and cost recoveries paid	**(54,996,605)**	(29,572,383)
Professional fees	**(1,715,095)**	(884,834)
Travel and entertainment expenses	**(1,022,812)**	(1,210,881)
Auditor's remuneration	**(2,283,042)**	(1,214,831)
Advertising and promotional expenses	**(58,279)**	(55,272)
Communication expenses	**(2,030,225)**	(4,366,127)
Other expenses[1]	**(13,349,813)**	(8,653,851)
Total other operating expenses	**(75,455,871)**	(45,958,179)
Total operating expenses	**(99,768,232)**	(85,306,400)
Operating (loss)/profit before income tax	**(221,781,934)**	72,344,211

[1] Includes indirect tax expense R12,017,023 (2019: R7,885,014).

Note 4. Income tax (expense)/benefit

	2020	2019
(i) Income tax (expense)/benefit		
Profit from current financial year		
- Deferred tax (expense)/benefit	**(64,063,699)**	27,094,826
Foreign Tax Credit (FTC) written off	**(857,697)**	-
Under provision in prior financial years		
- Deferred tax expense	**(53,445)**	-
Total income tax (expense)/benefit	**(64,974,841)**	27,094,826
Deferred tax expense included in income tax expense comprises:		
(Decrease)/Increase in deferred tax assets	**(64,131,952)**	26,846,848
Decrease in deferred tax liabilities	**68,253**	247,978
Foreign tax credit (FTC) write off	**(857,697)**	-
Prior year adjustment	**(53,445)**	-
Total	**(64,974,841)**	27,094,826
(ii) Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable		
Prima facie income tax benefit/(expense) on operating profit[1]	**62,098,942**	(20,256,377)
Tax effect of amounts which are (not deductible)/non-assessable in calculating taxable income:		
Effect of exempt income	**34,128,606**	1,443,306
Expenses not deductible for tax purposes	**69,347**	111,135
FTC written off	**(857,697)**	-
Under provision in prior financial years	**(53,445)**	-
Recognition of previously unrecognised assessed loss	**-**	45,796,762
Assessed loss not recognised	**(160,360,594)**	-
Total income tax (expense)/benefit arising from current financial year	**(64,974,841)**	27,094,826

[1] Prima facie income tax (expense)/benefit on operating profit is calculated at the rate of 28 per cent (2019:28 per cent).

No provision has been made for 2020 tax as the Company has no taxable income. The estimated tax loss available for set off against future taxable income is R572,716,409 (2019: R230,755,199).

Note 5. Cash and bank balances

	2020	2019
Cash at bank	**6,929,774**	5,179,549
Total Cash and bank balances	**6,929,774**	5,179,549

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

Notes to the financial statements
For the financial year ended 31 March 2020 (continued)

Figures in Rand	2020	2019

Note 6. Cash collateral on securities borrowed/lent

Cash collateral on securities borrowed and reverse repurchase agreements

Cash Collateral on securities borrowed and reverse repurchase agreements	-	2,054,130,500
Total Cash collateral on securities borrowed and reverse repurchase agreements	**-**	2,054,130,500

The above collateral includes cash collateral pledged as at 31 March 2020 amounting to Nil (2019: R1,248m) with a related liability of Nil (2019: R733.3m).

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.

Cash collateral on securities lent and repurchase agreements

Cash collateral on securities lent and repurchase agreements	**58,000,026**	6,430,607,498
Total Cash collateral on securities lent and repurchase agreements	**58,000,026**	6,430,607,498

The above collateral includes cash collateral received is R58m (2019: R647.8m) with a related assets of R55.3m (2019: R609.2m).

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

Equity Securities		
Listed	**44,490,863**	4,349,163,954
Total trading assets	**44,490,863**	4,349,163,954

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	**69,771,637**	9,212,168
Security settlements	**116,445,883**	319,685,453
Other	**19,265,000**	-
Total margin money and settlement assets	**205,482,520**	328,897,621

Security settlements are generally receivable within two working days of the relevant trade date.

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

Note 9. Financial investments

Money Market instruments and funds	**587,857,364**	2,433,582,086
Term deposit managed on a fair value basis [1]	**710,500,274**	1,105,448,040
Total financial investments	**1,298,357,638**	3,539,030,126

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

[1] Includes R710,500,274 (2019: R649,418,735) 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
Total loan assets	**-**	149,475,000

The subordinated loan to Mazi Macquarie Securities (RF) Proprietary Ltd. repaid during the year.

Notes to the financial statements
For the financial year ended 31 March 2020 (continued)

Figures in Rand	2020	2019
Note 11. Other assets		
Due from related entities	**1,633,662**	27,129,607
Debtors and prepayments	**275,816**	406,715
Other trade assets	**3,663,195**	38,887,337
Other	**294,940**	737,204
Total other assets	**5,867,613**	67,160,863

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

Note 12. Property, plant and equipment

	2020			2019		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Assets for own use						
Furniture and fittings	**221,107**	**(216,668)**	**4,439**	221,107	(213,862)	7,245
Leasehold improvements	**26,160,250**	**(24,386,675)**	**1,773,575**	26,160,250	(19,065,947)	7,094,303
Equipment	**968,187**	**(886,521)**	**81,666**	874,982	(854,416)	20,566
Total assets for own use	**27,349,544**	**(25,489,864)**	**1,859,680**	27,256,339	(20,134,225)	7,122,114
Right-of-use assets						
Property [1]	**2,209,635**	**(1,657,225)**	**552,410**	-	-	-
Total right-of-use assets	**2,209,635**	**(1,657,225)**	**552,410**	-	-	-
Total property, plant and equipment	**29,559,179**	**(27,147,089)**	**2,412,090**	27,256,339	(20,134,225)	7,122,114

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

[1] Represents operating leases recognised in statement of financial position following the adoption of IFRS 16 as described in note 2(i)

Reconciliation of the movement in the Company's property, plant and equipment -2020:

	Opening balance	Disposals	Addition	Depreciation	Total
Right-of-use assets[1]	-	-	2,209,635	(1,657,225)	**552,410**
Furniture and fittings	7,245	-	-	(2,806)	**4,439**
Leasehold improvements	7,094,303	-	-	(5,320,728)	**1,773,575**
Equipment	20,566	(18,078)	116,448	(37,270)	**81,666**
Balance at 31 March 2020	**7,122,114**	**(18,078)**	**2,326,083**	**(7,018,029)**	**2,412,090**

[1] Represents operating leases recognised in statement of financial position following the adoption of IFRS 16 as described in note 2(i)

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

	Opening balance	Disposals	Addition	Depreciation	Total
Furniture and fittings	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**

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 2020 (continued)

Figures in Rand	2020	2019

Note 13. Interests in associate

The following table lists all of the associates in the Company

Name of Company	% Ownership Interest 2020	% Ownership Interest 2019	Carrying amount 2020	Carrying amount 2019
PSIC Finance 3 (RF) (Pty) Ltd[1]	30%	30%	300	300
Total			**300**	**300**

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.

[1]This company is currently dormant.

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

Note 14. Deferred tax assets

The balance comprises temporary differences attributable to:

	2020	2019
Tax losses	126,231,988	64,611,453
Valuation allowance on tax losses	(126,231,988)	-
Provisions	3,826,440	3,254,219
Prepayments	(98,433)	(115,599)
Total deferred tax assets	3,728,007	67,750,073

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

	Prepayments	Provisions	Tax losses	Total
2020				
Balance at the beginning of the financial year	(115,486)	3,254,105	64,611,453	67,750,073
Prior year adjustment	1,492	(87,988)	(134,690)	(221,186)
Debited/(credited) to profit or loss	15,561	660,323	(64,476,763)	(63,800,879)
Balance at the end of the financial year	(98,433)	3,826,440	-	3,728,007

	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
(Credited)/ debited to profit or loss	81,246	(65,617)	27,261,283	27,276,912
Balance at the end of the financial year	(115,486)	3,254,105	64,611,453	67,750,073

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.

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 forecasts 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. These 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.

During the year, the deferred tax assets previously recognised on tax losses have been reversed as a result of losses in the current year.

Notes to the financial statements
For the financial year ended 31 March 2020 (continued)

Figures in Rand	2020	2019

Note 15. Trading liabilities

Equity securities		
Listed	**1,039,750,361**	2,045,877,464
Total trading liabilities	**1,039,750,361**	2,045,877,464

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 liabilities

Security Settlements		
Due to other related entities	**5,128,986**	97,960,109
Other	**103,371,035**	242,050,094
Total margin money and settlement liability	**108,500,021**	340,010,203

Security settlements are generally payable within two working days of the relevant trade date.

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

Debt issued at fair value [1][2]	**1,998,148,703**	3,604,818,507
Total Financial liabilities at fair value through profit or loss	**1,998,148,703**	3,604,818,507

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

[1] Includes R1,207,099,623 short term funding obtained during the year from Macquarie Internationale Investments Limited @6.7% interest.

[2] Includes R711,217,808 (2019: R649,604,899) 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	**99,792,898**	3,599,413
Profit share accrual	**51,494**	4,879,381
Accrued charges	**6,846,344**	5,629,834
Other trade liabilities	**5,019,447**	32,133,704
Lease liabilities[1]	**833,801**	-
Others	**6,804,062**	3,125,599
Total other liabilities	**119,348,046**	49,367,931

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

[1] March 2020 lease liabilities includes the impact of the adoption of IFRS 16 on 1 April 2019. As permitted by IFRS 16, the Company has not restated the comparative financial reporting period. Refer note 2(i) for the impact on initial adoption of IFRS 16.

Note 19. Provisions

Provision for employee entitlements	**567,285**	634,235
Total provisions	**567,285**	634,235

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

Notes to the financial statements
For the financial year ended 31 March 2020 (continued)

Figures in Rand	2020	2019

Note 20. Share capital

	2020 Number of shares	2019 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

	2020	2019
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.

Note 21. Accumulated losses

Balance at the beginning of the financial year	**(107,588,922)**	(207,027,959)
Change on initial application of IFRS 16, net of tax (note 2(i))	**(244,488)**	-
Restated balance as at 1 April 2019	**(107,833,410)**	(207,027,959)
(Loss)/Profit attributable to ordinary equity holder of Macquarie Securities South Africa Limited	**(286,756,775)**	99,439,037
Balance at the end of the financial year	**(394,590,185)**	(107,588,922)

Notes to the financial statements
For the financial year ended 31 March 2020 (continued)

Note 22. Notes to the statement of cash flows

In order to more closely align with the Company's cash and liquid assets portfolio, the Company has reviewed the balances included in the determination of cash and cash equivalents. The review concluded that for the year ended 31 March 2019 margin money balances held with clearing houses have been excluded from cash and cash equivalent as these balances are held for trading purposes and are not available to meet the Company's short-term cash commitments. (Refer note 2(xviii) Cash and Cash Equivalents)

As a result of these changes, cash flow from operating activity and cash and cash equivalents decreased by R9.2m for the year ended 31 March 2019. This revision had no impact on the Company's statements of financial position, income statements or reserves.

Figures in Rand	2020	2019
Reconciliation of cash and cash equivalents		
Cash and cash equivalents at the end of the financial year are reflected in the Statement of assets and liabilities as follows		
Cash and bank balances (note 5)	6,929,774	5,179,549
Cash and cash equivalents at the end of the financial year	6,929,774	5,179,549

Note 23. 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 gains and losses relating to trading assets which are charged by related entities are recognised in net trading income.

Balances outstanding with the parent and other related entities are disclosed in notes 10,11,16,17 and 18 to the financial statements.

Transactions with related parties

During the financial year, the following transactions were made with the parent entity.

2020

Name	Relation	Inter group charges / Expenes	Trading activities	Interest income/ (expense)	Fee and commission income	Balance March 2020
Macquarie Bank Limited	Other	632,530	-	(9)	460,152	(1,437)
Macquarie Bank Limited (London Branch)	Other	(7,767)	(455,010,521)	77,177	15,676	(5,128,299)
Macquarie Emg Holdings Pty Limited	Parent	-	26,620,064	13	-	(33,409,473)
Macquarie Financial Holdings Pty Limited	Other	23,066	(1,070)	(4,058,300)	-	(93,931,993)
Macquarie Global Services (Usa) Llc	Other	1,188,957	-	-	662,447	-
Macquarie Group Services (Singapore) Pte. Limited	Other	405,873	-	-	6,069,584	-
Macquarie Group Services Australia Pty Ltd	Other	31,115,728	-	-	250,410	17
Macquarie Group Services Australia Pty Ltd (Uk Branch)	Other	23,200,908	-	-	2,054,109	-
Macquarie Holdings South Africa Proprietary Limited	Other	(507,535)	-	-	-	(1,310,511)
Macquarie Internationale Investments Limited	Other	-	-	271,961,034	-	(1,207,911,047)
Macquarie Services (Hong Kong) Limited	Other	961,658	-	-	6,637	(1,737)
Mazi Macquarie Securities (Rf) Proprietary Limited	Other	(2,328,104)	-	(12,186,501)	-	318,303
Macquarie Global Services Private Limited (Ob/Branch)(CN6IG)	Other	553,913	-	-	-	(422,790)
Macquarie Global Services Private Limited (Ob/Branch)(CN6II)	Other	1,610,168	-	-	-	(1,873,948)
Macquarie Africa Proprietary Limited	Other	-	-	-	-	(824,843)
Other Group Entities with balances <R200,000	Other	394,022	20,722	1,399	229,871	133,469

Notes to the financial statements
For the financial year ended 31 March 2020 (continued)

Note 23. Related party information (continued)

Figures in Rand

2019

Name	Relation	Inter group charges / Expenes	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	Parent	-	(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.	Other	-	-	-	-	246,122
Other Group Entities with balances <R200,000	Other	141,481	-	(40,729)	25,617	(360,844)

Note 24. 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 2020 and 31 March 2019, unless otherwise indicated:

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	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 2020 (continued)

Note 24. Key Management Personnel disclosure (continued)

Directors' emoluments

Figures in Rand	2020	2019
Total remuneration	**6,256,269**	6,195,728

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 25. 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.

	Number of RSUs Awards	
	2020	2019
RSUs on issue at the beginning of the financial year	**570**	1,581
Granted during the financial year	**122**	-
Forfeited during the financial year	**-**	(48)
Vested RSUs withdrawn or sold from the MEREP during the financial year	**(427)**	(610)
Transfers to related body corporate entities	**-**	(353)
RSUs on issue at the end of the financial year	**265**	570
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 R1,383 (2019: Nil).

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

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

- New 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).

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.

For Retained Profit Share awards representing 2019 retention, the allocation price was the weighted average price of the shares acquired for the 2019 purchase period, which was 13 May 2019 to 24 June 2019. That price was calculated to be R1,337 (2018 retention: R1,165).

Notes to the financial statements
For the financial year ended 31 March 2020 (continued)

Note 25. Employee equity participation (continued)

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 periods.

RSUs have been granted in the current financial year in respect of 2019. The accounting fair value of each of these grants is estimated using MGL's share price on the date of grant.

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 2020, compensation expense relating to the MEREP totalled R37,132.63 (2019: R19,202.51).

Note 26. Contingent liabilities and commitments

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

Note 27. 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 R59.2m (2019: R52.3m) and OTC derivatives R1,687.5m (2019: R2,230.5m)

Derivative liability includes exchange traded equity futures derivatives of R44.3m (2019: R53.2m) and OTC derivatives R49.6m (2019: R143.5m)

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 2020 (continued)

Note 28. 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 Macquarie Group's businesses. The material risks faced by the Company include aggregate, asset, conduct, credit, environmental and social (including climate change), equity, financial crime, legal, liquidity, market, operational (including cyber and information security), regulatory and compliance, reputational, strategic, tax and work health and safety risks

The primary responsibility for risk management lies with the business. An important part of the role of all business managers throughout Macquarie is to ensure they manage risk appropriately.

During the current reporting period, the Macquarie Group's credit risk management framework remained consistent with that of the prior period.

RMG is independent of other areas of the Macquarie Group. RMG approval is required for all material risk acceptance decisions. RMG reviews and assesses risks and sets limits. Where appropriate, these limits are approved by the Executive Committee and the Board. The Head of RMG, as Macquarie's CRO, is a member of the Executive Committee of MGL and MBL and reports directly to the CEO with a secondary reporting line to the Board Risk Committee.

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.

28.1 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.

For external balances, Macquarie ratings broadly correspond to Standard & Poor's credit ratings as follows:

Credit Rating	Internal Rating	External Equivalent
Investment grade	MQ1 to MQ8	AAA to BBB-
Non-Investment grade	MQ9 to MQ16	BB+ to C
Default	MQ99	Default

Credit quality of financial assets

The table below discloses as at 31 March 2020, 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.

2020	Figures in Rand Neither past due nor impaired			
	Stage 1[1]	Stage 2[1]	Stage 3[1]	Total
Investment grade				
Loan assets	-	-	-	-
Margin money and settlement assets	-	-	-	-
Other assets[2]	-	-	-	-
Total investment grade	-	-	-	-
Below investment grade				
Cash and bank balances	6,929,774	-	-	6,929,774
Collateral on securities borrowed and reverse repurchase agreements	-	-	-	-
Margin money and settlement assets	205,482,520	-	-	205,482,520
Other assets[2]	5,718,826	-	-	5,718,826
Total below investment grade	218,131,120	-	-	218,131,120
Financial assets by ECL stage[3]				
Loan assets	-	-	-	-
Cash and bank balances	6,929,774	-	-	6,929,774
Collateral on securities borrowed and reverse repurchase agreements	-	-	-	-
Margin money and settlement assets	205,482,520	-	-	205,482,520
Other assets[2]	5,718,826	-	-	5,718,826
Total financial assets by ECL stage[3]	218,131,120	-	-	218,131,120

[1] For related disclosure, refer to note 2(xiii) Impairment - Expected credit losses.

[2] Excludes other non-financial assets of R303,734 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 2020 (continued)
28.1 Credit risk (continued)

Credit quality of financial assets

The table below discloses as at 31 March 2019, 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.

Credit quality - 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 stage[3]	2,604,501,116	-	-	2,604,501,116

[1] For related disclosure, 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.

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.

2020	Figures in Rand Financial institutions	Others	Total
EMEA			
Cash and bank balances	6,929,774	-	6,929,774
Collateral on securities borrowed and reverse repurchase agreements	-	-	-
Margin money and settlement assets	109,080,589	96,401,931	205,482,520
Loan assets	-	-	-
Other assets [1]	2,680,211	1,642,396	4,322,607
Total EMEA [3]	118,690,574	98,044,327	216,734,901
Asia Pacific			
Other assets [1]	-	1,384,247	1,384,247
Total Asia Pacific	-	1,384,247	1,384,247
Australia			
Other assets [1]	11,972	-	11,972
Total Australia	11,972	-	11,972
Total	118,702,546	99,428,574	218,131,120
Total gross credit risk[2][4]			218,131,120

[1] Excludes other non-financial assets of R303,734 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

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

[4] Due from related body corporates have been presented as Financial Institutions and Other based on APRA's Standard Institutional Sector Classification of Australia (SISCA) classification which is on similar lines with financial sector classification defined by the local regulatory authorities where appliable. Previous year has been reclassified to conform to the current year presentation.

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.

2020	Figures in Rand Financial institutions	Others	Total
EMEA			
Trading assets	44,444,056	46,807	44,490,863
Derivative assets	178,226,187	1,568,546,772	1,746,772,959
Financial Investments	1,298,357,638	-	1,298,357,638
Total EMEA[3][4]	1,521,027,881	1,568,593,579	3,089,621,460

Notes to the financial statements
For the financial year ended 31 March 2020 (continued)

Note 28. Financial risk management (continued)

28.1 Credit risk (continued)

Credit risk concentration

The table below details the concentration of 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		
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	-	149,475,000	149,475,000
Other assets [1]	26,237,363	15,689,120	41,926,483
Total EMEA[3]	2,105,791,609	473,817,544	2,579,609,153
Asia Pacific			
Other assets [1]	-	1,021,141	1,021,141
Total Asia Pacific	-	1,021,141	1,021,141
Australia			
Other assets [1]	23,685,351	185,471	23,870,822
Total Australia	23,685,351	185,471	23,870,822
Total	2,129,476,960	475,024,156	2,604,501,116
Total gross credit risk[2][4]			2,604,501,116

[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

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

[4] Due from related body corporates have been presented as Financial Institutions and Other based on APRA's Standard Institutional Sector Classification of Australia (SISCA) classification which is on similar lines with financial sector classification defined by the local regulatory authorities where appliable. Previous year has been reclassified to conform to the current year presentation.

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.

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	3,282,748,404	256,281,722	3,539,030,126
Total EMEA[3][4]	3,882,815,371	6,288,176,300	10,170,991,671

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 of the underlying derivatives.

The Company has exchange traded derivatives with positive replacement values (and for which counterparties would have had to place margin) as at 31 March 2020 of R59.2m (2019: R52.3m).

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 2020, no OTC derivative assets subject to master netting agreement were in issue.

Notes to the financial statements
For the financial year ended 31 March 2020 (continued)

Note 28. Financial risk management (continued)

28.1 Credit risk (continued)

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

This classification mainly includes debt securities held by Group Treasury primarily in the nature of negotiable certificates of deposits (NCD), money market funds and other debt securities for liquidity management purposes.

Other Assets

This includes intercompany and other trade balances.

28.2 Liquidity risk

Liquidity risk is the risk of an entity encountering difficulty in meeting obligations with financial liabilities.

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 following table 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		
2020	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Total**
Collateral on securities lent and repurchase agreements	-	58,000,026	-	-	58,000,026
Trading liabilities	-	1,039,750,361	-	-	1,039,750,361
Derivative liabilities	-	70,765,722	23,224,685	-	93,990,407
Margin money and settlement liability	-	108,500,021	-	-	108,500,021
Financial liabilities at fair value through profit or loss	-	1,286,930,895	-	711,217,808	1,998,148,703
Other liabilities [1]	-	105,437,696	208,450	-	105,646,146
Total undiscounted cash flows	-	2,669,384,721	23,433,135	711,217,808	3,404,035,664

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

			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]	-	35,733,117	-	-	35,733,117
Total undiscounted cash flows	-	11,199,215,013	665,340,072	789,145,379	12,653,700,464

[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 2020 (continued)

Note 28. Financial risk management (continued)

28.3 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 also has exposure to non-traded interest rate risk generated by interest bearing assets and liabilities. The table below indicates the Company's exposure to movements in interest rates as at 31 March.

		2020	2019
	Movement in basis points	**Sensitivity of profit after tax**	Sensitivity of profit after tax
South Africa Rand	**+50**	**191,810**	2,561,285
South Africa Rand	**-50**	**(191,810)**	(2,561,285)

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%**	
	2020	2019	**2020**	2019
	Sensitivity of profit before tax	Sensitivity of profit before tax	**Sensitivity of profit before tax**	Sensitivity of profit before tax
Australian dollar	**(3,320,895)**	144,150	**3,320,895**	(144,150)
Euro	**(143,935)**	(2,721)	**143,935**	2,721
Great British pound	**(8,789,817)**	(955,037)	**8,789,817**	955,037
Hong Kong dollar	**(1,482,572)**	(516,730)	**1,482,572**	516,730
Swiss Franc	**(9,487)**	(7,445)	**9,487**	7,445
Canadian dollar	**(16,514)**	(90)	**16,514**	90
Singapore dollar	**(261,279)**	(337,313)	**261,279**	337,313
Philippine peso	**(268)**	(5,640)	**268**	5,640
United States dollar	**(4,378,398)**	(7,748,158)	**4,378,398**	7,748,158

Notes to the financial statements
For the financial year ended 31 March 2020 (continued)

Note 28. Financial risk management (continued)

28.3 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 2020			31 March 2019		
	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%	14,627,632	10,531,895	+10%	2,489,688	1,792,576
Listed and non listed						
EMEA	-10%	(12,601,639)	(9,073,180)	-10%	(2,489,688)	(1,792,576)

EMEA region includes equity price risk exposures in South Africa.

28.4 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	
	2020	2019
Share capital	**290,327,100**	290,327,100
Accumulated loss	**(394,590,185)**	(107,588,922)
Subordinated debt	**600,000,000**	600,000,000
	495,736,915	782,738,178

Notes to the financial statements
For the financial year ended 31 March 2020 (continued)

Note 29. 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 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The appropriate 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 substantially all of the residual exposure to market risks were closed on a portfolio basis using available hedging instruments.

The fair values calculated for financial instruments which are carried in the statement of financial position at amortised cost are for disclosure purpose only:

The following methods and assumptions applied to derive these fair values can require significant judgement by management and therefore may not necessarily be comparable to other financial institutions nor may it be the price at which the asset is sold or a liability repurchased in a market-based transaction:

- 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 portion 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(to be used in case of fixed rate debt);
- 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 prices in active market where available (for example listed securities). If quoted prices in active market are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques;
- Financial investment classified as FVTPL are measured at fair value by reference to quoted prices in active market when available (for example listed securities). If quoted prices in active market are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques that maximise the use of quoted prices and observable market inputs;
- fair values of fixed rate loans classified as FVTPL or FVOCI and issued debt classified as DVTPL are 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 instruments 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.

Notes to the financial statements
For the financial year ended 31 March 2020 (continued)

Note 29. Fair values of financial assets and financial liabilities (continued)

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

	Figures in Rand			
2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Trading assets	44,490,863	-	-	44,490,863
Derivative assets	59,217,649	1,687,555,310	-	1,746,772,959
Financial Investments	-	1,298,357,638	-	1,298,357,638
Total assets	**103,708,512**	**2,985,912,948**	-	**3,089,621,460**
Liabilities				
Trading liabilities	1,039,750,361	-	-	1,039,750,361
Derivative liabilities	44,345,890	49,644,517	-	93,990,407
Financial liabilities at fair value through profit or loss	-	1,998,148,703	-	1,998,148,703
Total liabilities	**1,084,096,251**	**2,047,793,220**	-	**3,131,889,471**

The following tables summarise the levels of the fair value hierarchy for financial instruments measured at fair value of the Company at 31 March 2019:

	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

The Level 1 Derivative Financial instruments relate to listed futures.

In 2019 derivative liability in level 3 sensitive to change in variable relating to the future dividend and the volatility.

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.

2020

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

2019

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

Figures in Rand	**Movement of +10%**		**Movement of -10%**	
	2020	2019	**2020**	2019
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
Derivative liability	-	1,410,992	-	(1,410,992)

Notes to the financial statements
For the financial year ended 31 March 2020 (continued)

Note 30. 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.

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 31. Lease commitments

Operating lease commitments

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

	Figures in Rand	
Lease of premises	**2020**	2019
- within one year	**833,801**	4,188,133
- later than 1 year but less than 5 years	-	1,430,547

Note 32. Events after the reporting date

Subsequent to the end of reporting period, on 11 June 2020, the Company issued 1,315,789,474 class C no par value ordinary shares at a price of R19 cents each to its parent Macquarie EMG Holdings Pty Limited. This resulted in positive net asset position subsequent to balance sheet date. In addition, for Covid-19 consideration refer note 2 Coronavirus (COVID-19) impact.

Note 33. 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 25 June 2020

Note 34. Categories of financial instruments

2020		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 balances	5	-	6,929,774	-	-	6,929,774
Cash collateral on securities borrowed and reverse repurchase	6	-	-	-	-	-
Trading assets	7	44,490,863	-	-	-	44,490,863
Derivative assets		1,746,772,959	-	-	-	1,746,772,959
Margin money and settlement assets	8	-	205,482,520	-	-	205,482,520
Financial Investments	9	1,298,357,638	-	-	-	1,298,357,638
Loan assets	10	-	-	-	-	-
Other assets[1]	11	-	5,718,826	-	-	5,718,826
		3,089,621,460	218,131,120	-	-	3,307,752,580

Notes to the financial statements
For the financial year ended 31 March 2020 (continued)

Note 34. 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**
Cash collateral on securities lent and repurchase agreements	6	-	-	-	58,000,026	58,000,026
Trading liabilities	15	-	-	1,039,750,361	-	1,039,750,361
Derivative liabilities		-	-	93,990,407	-	93,990,407
Margin money and settlement liabilities	16	-	-	-	108,500,021	108,500,021
Financial liabilities at fair value through profit or loss	17	-	-	1,998,148,703	-	1,998,148,703
Other liabilities[1]	18	-	-	-	105,646,146	105,646,146
		-	-	- 3,131,889,471	272,146,193	3,404,035,664

[1]Excludes items that are non financial assets and liabilities and non-contractual accruals and provisions.

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 balances	5	-	5,179,549	-	-	5,179,549
Cash collateral on securities borrowed and reverse repurchase	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[1]	11	-	66,818,446	-	-	66,818,446
		10,170,991,671	2,604,501,116	-	-	12,775,492,787

Figures in Rand

Liabilities	Notes	Financial assets at FVTPL	Financial asset at amortised cost	Financial liabilities at FVTPL	Financial liability at amortised cost	Total
Cash collateral on securities lent and repurchase agreements	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 liabilities	16	-	-	-	340,010,203	340,010,203
Financial liabilities at fair value through profit or loss	17	-	-	3,604,818,507	-	3,604,818,507
Other liabilities[1]	18	-	-	-	35,733,117	35,733,117
		-	-	- 5,847,349,646	6,806,350,818	12,653,700,464

[1]Excludes items that are non financial assets and liabilities and non-contractual accruals and provisions.