South African Reserve Bank

SARB 100 YEARS 1921–2021

A purposeful journey

1921 - 2021

POLICYMAKING FOR THE LONG TERM

SOUTH AFRICAN RESERVE BANK ANNUAL FINANCIAL STATEMENTS 2020/21

CONTENTS

FINANCIALS

ONLINE

The annual report can be accessed at:

https://www.resbank.co.za/Publications/Reports/Pages/Annual-Reports.aspx

FEEDBACK

The SARB welcomes feedback on its annual report to inform the continuous improvement of its communication to stakeholders. Your feedback, comments and/or questions can be sent to Sheenagh Reynolds, the Secretary of the SARB, at **Sheenagh.Reynolds@resbank.co.za.**

Directors' report

for the year ended 31 March 2021

INTRODUCTION

The directors are pleased to present to stakeholders this report on the activities and financial results of the South African Reserve Bank (the SARB), including its subsidiaries and associate (the Group), for the year under review.

The SARB's annual report, issued in terms of the South African Reserve Bank Act 90 of 1989, as amended (SARB Act), and its Regulations, addresses the performance of the Group and its compliance with relevant statutory information requirements.

It is the responsibility of the directors to prepare the Group annual financial statements and related financial information that present the Group's state of affairs.

The financial statements have been prepared in accordance with the SARB Act and the accounting policies set out in note 1. The financial statements include appropriate and responsible disclosure, and are based on accounting policies that have been consistently applied, except as specified in note 1, and which are supported by reasonable judgements and estimates.

These financial statements were prepared on a going concern basis, taking cognisance of certain unique aspects relating to the SARB's ability to create, distribute and destroy domestic currency, its role as 'lender of last resort', its responsibilities in the areas of price and financial stability, and its relationship with the South African government (SA government) concerning foreign exchange and gold transactions.

The directors have considered the impact of COVID-19 on the going concern of the Group. While further waves of infection are expected, the start of vaccination programmes in many countries have lifted projections for global economic growth and significantly boosted confidence. Financial markets have generally improved and stabilised in line with stronger growth and expectations that policy settings in advanced economies will remain accommodative. The directors have concluded that the impact of the pandemic has no effect on the going concern of the SARB and its subsidiaries. The use of the going concern assumption is therefore deemed appropriate.

The financial statements were audited by the independent external auditors who were given unrestricted access to all financial records and related data, including the minutes of all the meetings of the Board of Directors (the Board), the Board's committees and executive management meetings.

The directors are responsible for governance, which is monitored on an ongoing basis. The SARB applies the principles and guidelines of the King Report on Corporate Governance in South Africa 2016 (King IV), where appropriate, and where they do not contravene the SARB Act.

NATURE OF BUSINESS

The SARB is the central bank of South Africa and is regulated in terms of the SARB Act. Its primary objective is to protect the value of the currency in the interest of balanced and sustainable economic growth. In pursuit of price and financial stability, the SARB performs the key activities set out on page 7 of the annual report.

In exceptional circumstances, as part of its central banking functions, the SARB may act as 'lender of last resort' or provide assistance of a similar nature to financial institutions in difficulty, to prevent a loss of confidence spreading through the financial system as a whole. In some cases, confidence can best be sustained if the SARB's support is disclosed only when conditions giving rise to potentially systemic disturbance have improved. Accordingly, although the financial effects of such operations will be included in the financial statements in the year in which they occur, these financial statements may not explicitly identify the existence of such support. However, such support will be reported in the annual report when the need for secrecy or confidentiality has ceased.

SUBSIDIARIES

The subsidiaries of the SARB are:

- The South African Mint Company (RF) Proprietary Limited (South African Mint), which produces circulation and collectable coins, and its subsidiary, Prestige Bullion (RF) Proprietary Limited (Prestige Bullion), which produces bullion coins.
- The South African Bank Note Company (RF) Proprietary Limited (SABN), which produces notes.
- The Corporation for Public Deposits (CPD), which receives and invests call deposits from the SA government and public entities.

Information on the SARB's financial interest in its subsidiaries is provided in note 34.

The SARB has re-issued a guarantee in favour of the CPD of R3.45 billion for all amounts required by it for the due performance of its obligations under the Corporation for Public Deposits Act 46 of 1984 (CPD Act). This guarantee is a continuing covering security and will remain in force until 11 June 2022.

The subsidiaries did not pass any special resolutions that are material to the SARB's affairs in the reporting year.

ASSOCIATE

African Bank Holdings Limited (ABHL) is the public holding company of African Insurance Group Limited (InsureCo) and African Bank Limited (ABL).

A shareholder support transaction was concluded in terms of which the SARB will provide a collateralised loan of up to R4.0 billion over a period of four years to ABL in accordance with Section 10(1)(f) of the SARB Act (referred to as 'the Transaction'). The remaining shareholders will subscribe to domestic medium-term notes (DMTN) in ABL according to the respective pro rata shareholding in ABHL. The SARB will make available R1.0 billion each year to ABL and will advance the funds to ABL at the same time as the other shareholders subscribe for DMTN notes. The loan is secured by a cession in security of a portion of ABL's customer loan portfolio, with a collateral cover ratio of 111.00%. The facility remained undrawn at 31 March 2021.

Information on the SARB's financial interest in its associate is provided in note 34.

ACHIEVEMENT OF OBJECTIVES

The annual report covers the SARB's achievements against its strategic objectives on pages 22 to 27.

FINANCIAL RESULTS

The significant appreciation of the rand, compounded by the impact of the movement in the yields, had a negative effect on the SARB's investment income.

The net investment income of the SARB, derived mainly from foreign investments and accommodation to banks, decreased by R6.0 billion to R8.3 billion (2020: R3.1 billion increase to R14.3 billion). Operating costs decreased by R0.8 billion to R6.8 billion (2020: R1.1 billion increase to R7.6 billion), mainly attributable to a decrease in an impairment loss on the investment in the associate offset by an increase in the cost of new notes. The net result of these factors was a profit after taxation of R1.7 billion (2020: R6.4 billion) for the year ended 31 March 2021.

The South African Mint (including Prestige Bullion) made a profit after taxation of R0.3 billion (2020: R0.9 billion) attributable to the Group and did not declare a dividend (2020: R1.4 billion dividend) to the SARB, mainly due to lower profits in Prestige Bullion. Refer to note 34 for further detail.

SABN made a profit after taxation of R0.1 billion (2020: R0.1 billion) attributable to the Group, mainly due to decreased banknote sales volumes. Refer to note 34 for further detail.

The CPD made a profit after taxation of R1.5 billion (2020: R2.8 billion loss), attributable to a reversal of expected credit loss allowance of R1.5 billion. For the year ended 31 March 2021, there was no amount due to the SA government (2020: Rnil) in accordance with the CPD Act. Refer to note 34 for further detail.

ABHL made a profit after taxation of R0.1 billion (2020: R0.3 billion) attributable to the Group. An impairment loss of R0.1 billion, limited to the Group's share of profit for the year, was recognised for the Group with no impairment for the SARB (2020: R2.2 billion attributable to the Group of which R1.5 billion was attributable to the SARB). Refer to note 34 for further detail.

FINANCIAL POSITION

The SARB's total assets decreased by R170.2 billion to R892.9 billion (2020: R264.1 billion increase to R1 063.1 billion), largely due to decreases in gold and foreign exchange reserves of R153.0 billion and accommodation to banks of R61.3 billion, offset by an increase in SA government bond holdings of R30.0 billion.

The total assets of the South African Mint (including Prestige Bullion) increased by R0.2 billion to R2.3 billion (2020: R0.6 billion decrease to R2.1 billion), attributable to higher call deposit investments.

SABN's total assets increased by R0.1 billion to R2.4 billion (2020: R0.2 billion increase to R2.3 billion), attributable to higher call deposit investments.

The CPD's total assets increased by R12.7 billion to R82.5 billion (2020: R2.0 billion decrease to R69.8 billion), largely as a result of an increase in amounts due by group companies of R21.0 billion and cash and cash equivalents of R18.1 billion, offset by a decrease in loans and advances of R25.4 billion.

The total liabilities of the SARB decreased by R171.8 billion to R867.4 billion (2020: R257.3 billion increase to R1 039.2 billion) largely due to decreases in the Gold and Foreign Exchange Contingency Reserve Account (GFECRA) (used for the currency revaluation of foreign assets and liabilities which is for SA government's account) of R120.5 billion, foreign deposits of R54.9 billion and deposit accounts of R51.9 billion, offset by increases in SARB debentures of R15.0 billion and notes and coin in circulation of R12.8 billion.

The total liabilities of the South African Mint (including Prestige Bullion) decreased by R0.2 billion to R0.6 billion (2020: R0.2 billion decrease to R0.8 billion), mainly attributable to a decrease in trade payables as a result of lower stock levels maintained.

SABN's total liabilities increased by R0.1 billion to R0.6 billion (2020: remained consistent at R0.5 billion), mainly attributable to higher trade payables and post employment medical benefits.

The CPD's total liabilities increased by R11.1 billion to R83.5 billion (2020: R0.8 billion increase to R72.4 billion), largely due to an increase in deposits of R9.5 billion and other liabilities of R1.1 billion.

The SARB's contingency reserve increased by R1.6 billion (2020: R6.1 billion) due to the profit after taxation achieved for the year.

Further details on the Group's financial information for the year can be found on page 10.

IMPACT OF THE COVID-19 PANDEMIC

The impact of the COVID-19 pandemic continues to have a lasting and detrimental effect on the economy and has had a significant impact on the SARB's functions and operations. Throughout the financial year, the SA government imposed varying levels of lockdown to discourage the movement of people and mitigate the spread of the virus. The SARB's employees have adjusted to the new ways of work, with the majority of the workforce continuing to work from remote locations. The scale and duration of the pandemic is uncertain and continuously changing.

The SARB has ensured that all critical functions and activities continue to operate, including the emergency procurement process for COVID-19 and virtual methods of conducting tender evaluations.

The measures taken by the SARB to mitigate COVID-19 related risks include:

- Continuous support provided by the SARB leadership team and workshops to equip employees with pandemic-related regulations. Productivity is monitored to ensure business continuity.
- The Joint Operations Centre continues to provide critical support and directives aligned to the Department of Health's COVID-19 Guidelines.
- Meeting the demand for personal protective equipment and information and communications technology equipment to support remote working. The back-up power requirements for essential staff were identified and addressed to minimise the impact of load shedding (power outages).
- Remote working is likely to remain the prominent way of performing business tasks for the foreseeable future, increasing cyber and information security risks. The SARB continues to enhance its cybersecurity measures using various technologies for remote working capabilities, including policy and procedure development, security assessments, security design work and the roll out of training and targeted awareness initiatives. The SARB is also actively changing its monitoring and defence approaches. The SARB will continue to implement additional security measures to address any potential security threats.

The SARB will continue to follow the policies and advice of various national institutes and at the same time continue operations in the best and safest way possible without jeopardising the health of its employees.

The SARB's response to COVID-19 is reported on page 16 of the annual report.

DIVIDENDS

The SARB Act permits the SARB to declare dividends from its accumulated profits. As per the SARB Act, a total dividend at the rate of 10.00% per annum on the paid-up share capital of the SARB was paid as follows:

- An interim dividend of five cents per share paid to shareholders on 30 October 2020.
- The final dividend, also of five cents per share, paid on 12 May 2021.

The total dividend paid for the financial year was R0.2 million (2020: R0.2 million).

DIRECTORS

The composition of the Board at 31 March 2021 is reported on pages 32 to 35 of the annual report.

At the annual Ordinary General Meeting (AGM) held on 31 July 2020, the terms of office of R J B (Rob) Barrow, R (Rochelle) le Roux and G M (Gary) Ralfe expired. All three directors had completed three terms of office each, and were not available for re-election and resigned from the Board.

The Panel, established in terms of Section 4(1C) of the SARB Act, considered the nominations received for the three vacancies but could only confirm three candidates for shareholder consideration for the vacancy in the commerce or finance sector, in terms of Section 4(1G) of the SARB Act.

At the 2020 AGM, shareholders elected M M T (Tryphosa) Ramano, who has knowledge and skills in the commerce and finance sector, to serve a three-year term as a non-executive director.

The Panel was unable to select suitable candidates for shareholder consideration in the mining and labour categories, as an insufficient number of acceptable nominations had been received for these sectors.

In terms of Section 6(1)(b) read with Section 6(2)(b) of the SARB Act, the Board appointed S (Shamima) Gaibie with skills and knowledge in the field of labour and N B (Norman) Mbazima with skills and knowledge in the field of mining to fill the two vacancies. These two directors were appointed to fill a casual vacancy for a period of one year, after which they will be eligible for nomination and re-election by the shareholders. The one-year term will conclude at the AGM to be held in July 2021.

Y (Yvonne) Muthien's first term of office will expire the day after the 2021 AGM, and she is eligible for nomination and re-election by the shareholders.

At its meeting on 23 February 2021, the Board agreed that S (Shamima) Gaibie, N B (Norman) Mbazima and Y (Yvonne) Muthien had performed well in their positions on the Board, making valuable contributions to its deliberations, and should be nominated as candidates for consideration by the Panel.

Deputy Governor, K (Kuben) Naidoo, was reappointed by the President of the Republic of South Africa to serve a second term of office with effect from 1 April 2020.

At 31 March 2021 and to date, none of the directors in office held any direct or indirect shareholding in the SARB.

Directors' fees for services rendered during the reporting year are disclosed in note 34.6 on page 98.

EVENTS AFTER THE REPORTING DATE

Subsequent to year-end there were no material events occurred between 31 March 2021 and 10 June 2021 requiring adjustment to the financial statements for the year ended 31 March 2021. Refer to note 28 for further details.

SECRETARY OF THE SARB

S L (Sheenagh) Reynolds

REGISTERED OFFICE

Business address:
370 Helen Joseph Street
Pretoria 0002

Postal address:
PO Box 427
Pretoria 0001

The Board approved the summarised Group annual financial statements on 10 June 2021, signed on its behalf by:

E L (Lesetja) Kganyago
Governor

T (Terence) Nombembe
Non-executive director
and Chairperson of the Audit Committee

L P (Leanne) Pillay
Acting Group Chief
Financial Officer

S L (Sheenagh) Reynolds
Secretary of the SARB

Statement by the Secretary of the SARB

In my capacity as Secretary of the SARB, I certify that all the returns required to be submitted, in terms of the SARB Act, for the year ended 31 March 2021, have been completed and are up to date.

The executive directors and management of the SARB are responsible for the controls over, and the security of the website, and, specifically, for establishing and controlling the process for electronically distributing annual reports and other financial information to shareholders.

S L (Sheenagh) Reynolds
Secretary of the SARB

10 June 2021

Report of the Audit Committee

for the year ended 31 March 2021

The Audit Committee is a subcommittee of the Board. All its members, including the Chairperson, are independent non-executive directors. The responsibilities of the Audit Committee are set out in its terms of reference, which are approved by the Board and reviewed every three years or more frequently, if required.

The Audit Committee carried out its oversight functions independently and in full compliance with its terms of reference during the reporting year.

The SARB's executive management, internal auditors, external auditors and other assurance providers attended all the Audit Committee meetings in an ex officio capacity. Management and internal and external auditors met independently with the committee, as appropriate.

ROLES AND RESPONSIBILITIES

The Audit Committee assists the Board in fulfilling its oversight responsibilities in terms of the SARB's financial reporting processes, risks and system of internal financial controls, as well as the SARB's processes for monitoring compliance with laws and regulations as they relate to financial reporting.

INTERNAL CONTROL (INCLUDING INTERNAL FINANCIAL CONTROLS)

The SARB's system of internal financial controls is designed to ensure:

- the integrity and reliability of financial information;
- compliance with all applicable laws and regulations;
- the achievement of objectives;
- economy and efficiency of operations; and
- the safeguarding of assets.

The Audit Committee is satisfied that the system of internal financial controls is adequately designed and operated effectively to form a sound basis for the preparation of reliable financial reports. This assessment is based on reports from management, risk management, internal auditors and external auditors.

The Audit Committee considered, and is satisfied with, the expertise and experience of the Acting Group Chief Financial Officer (CFO). The finance function in the SARB has the expertise and adequate resources to support the Acting Group CFO.

COMBINED ASSURANCE

The Group has adopted a combined assurance (CA) approach, in line with King IV, to increase the effectiveness of assurance activities by the functionaries across the three levels model. The Audit Committee considers the CA approach to be adequate and supportive of achieving effective assurance activities across the SARB Group.

FINANCIAL STATEMENTS

After reviewing the SARB Group annual financial statements and the associated external auditors' report, the Audit Committee recommended their approval to the Board. The Audit Committee is satisfied with the going concern status of the SARB.

INTERNAL AUDIT

The Audit Committee reviewed and approved the Internal Audit Charter, which defines the purpose, authority and responsibility of the internal audit function, and approved the annual internal audit plan. The committee also reviewed the Internal Audit Department's (IAD) reports on the state of the internal control environment.

The Audit Committee is satisfied that the IAD is independent and appropriately resourced to provide assurance on the adequacy and effectiveness of the SARB's internal control environment. The Chief Internal Auditor reports functionally to the Audit Committee and administratively to the Governor.

EXTERNAL AUDIT

The Audit Committee is satisfied with the independence of the external auditors of the SARB. This assessment was made after considering the independence letters from the external auditors, continuous monitoring and approval of non-audit services, and a formal partner rotation process. The Audit Committee reviewed the external auditors' proposed audit scope, approach and audit fees for the year under review.

The Audit Committee is satisfied with the formal procedures that govern the provision of non-audit services by the external auditors. This is monitored through the reporting of such activities to the Audit Committee.

COMPLIANCE

The Audit Committee is satisfied that the SARB has implemented appropriate processes and controls to ensure compliance with all applicable laws and regulations as they relate to financial reporting. This is based on the Audit Committee's review of reports received from both internal and external auditors, as well as from executive management and relevant departments.

INFORMATION AND TECHNOLOGY

The Audit Committee is satisfied with the SARB's information and technology (I&T) capability and that its I&T controls are appropriate to support the integrity of financial reporting. This is based on the Audit Committee's continuous review of assurance reports from I&T Steering Committee (at executive management level) and the internal and external auditors.

WHISTLE-BLOWING

Based on combined submissions from the Risk Management and Compliance Department and the IAD at the Board Risk and Ethics Committee, the Audit Committee is satisfied with the SARB's procedures to receive, evaluate, investigate and report on confidential and anonymous complaints regarding matters of integrity and ethics at the SARB.

T (Terence) Nombembe
Chairperson of the Audit Committee

Financial reporting framework

REPORTING FRAMEWORK

The financial statements have been prepared in accordance with the SARB Act and the accounting policies set out in note 1.

The SARB Act is not prescriptive regarding the accounting framework that the SARB should adopt, except for sections 25 to 28, which deal with the accounting treatment of gold and foreign exchange transactions. These sections are in conflict with IFRS. The SARB has chosen to use IFRS as a guide in deciding on the most appropriate accounting policies to adopt, and as a model for the presentation and disclosure framework followed in its financial statements.

The SARB Act, however, takes precedence over IFRS in the areas noted above and, as a result, the recognition and measurement criteria as set out in IFRS have not been followed in these circumstances. In addition, the SARB considers certain recognition and measurement principles as well as disclosures inappropriate to its functions. The SARB's financial statements, therefore, disclose less detail than would be required under IFRS. The significant departures from IFRS as a consequence of the above are summarised as follows:

RECOGNITION AND MEASUREMENT

1. According to the SARB Act,
    a. realised and unrealised valuation gains and losses on gold, and realised and unrealised foreign exchange gains and losses on foreign denominated assets and liabilities are for the account of the SA government, and have therefore not been accounted for in profit or loss, as required by *International Accounting Standard (IAS) 21 The Effects of Changes in Foreign Exchange Rates*; and
    b. gold is valued in terms of section 25 of the SARB Act at the statutory gold price. Gold has been recognised as a financial asset of the SARB.

PRESENTATION

In the financial statements,

1. not all information as required by *IFRS 7* is disclosed. This relates specifically to:
    a. market risk for all financial assets (foreign and local): The sensitivity analysis for each type of market risk to which the SARB is exposed at the reporting date, showing how profit or loss and equity/other comprehensive income (OCI) would have been affected by changes in the relevant risk variables that were reasonably possible at that date;
    b. credit risk for foreign financial assets: The credit quality per counterparty (issuer) and per country, the historical information about the counterparty default rates, and instruments per counterparty; and
    c. credit risk for local financial assets: The credit quality per counterparty (issuer) and instrument class, the historical information about the counterparty default rates and a breakdown of instruments per counterparty.

CENTRAL BANKING

The SARB, as the mandated Central Bank of South Africa, will exercise discretion on 'lender of last resort activities' as it relates to the management and oversight responsibilities of domestic financial market operation.

Independent auditors' report to the shareholders of the South African Reserve Bank

OPINION

We have audited the consolidated and separate financial statements of the South African Reserve Bank (the SARB) and its subsidiaries (together the Group) set out on pages 10 to 102, which comprise the consolidated and separate statement of financial position as at 31 March 2021, and the consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity and the consolidated and separate statement of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements of the Group and the SARB for the year ended 31 March 2021 are prepared, in all material respects, in accordance with the basis of accounting described in Note 1 to the consolidated and separate financial statements and the requirements of the South African Reserve Bank Act 90 of 1989 (the SARB Act).

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 consolidated and separate financial statements section* of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

EMPHASIS OF MATTER – BASIS OF ACCOUNTING

We draw attention to Note 1 to the consolidated and separate financial statements, which describes the basis of accounting. The consolidated and separate financial statements are prepared in accordance with the SARB's own accounting policies to satisfy the financial information needs of the shareholders. As a result, the consolidated and separate financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "South African Reserve Bank Annual Financial Statements 2020/2021" which includes the Directors' Report, Report of the Audit Committee and the Statement by the Secretary of the SARB which we obtained prior to the date of this auditors' report, and the document titled "South African Reserve Bank Annual Report 2020/21", which was made available to us prior to the auditors' report. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate 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 consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate 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 CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated and separate financial statements in accordance with the basis of accounting described in Note 1 to the consolidated and separate financial statements and the requirements of the SARB Act, for determining that the basis of preparation is acceptable in the circumstances and for such internal control as the directors determine is necessary to enable the preparation of the consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the SARB'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 Group and/or the SARB or to cease operations, or have no realistic alternative but to do so.

Independent auditors' report to the shareholders of the South African Reserve Bank continued

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND ANNUAL FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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 SARB's internal control.
- 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 SARB'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 consolidated and separate 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 SARB to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Vincent Tshikhovhokhovho

Registered Auditor
Johannesburg, South Africa

14 June 2021

SizweNtsalubaGobodo Grant Thornton Inc.

SizweNtsalubaGobodo Grant Thornton Inc.
Director: Pravesh Hiralall

Registered Auditor
Johannesburg, South Africa

14 June 2021

Consolidated and separate statement of financial position

as at 31 March 2021

		GROUP		SARB	
	Notes	**2021 R'000**	2020 R'000	**2021 R'000**	2020 R'000
Assets					
Cash and cash equivalents	2	**38 400 725**	20 536 596	**–**	–
Amounts due by Group companies	34.4	**–**	–	**–**	66
Accommodation to banks	3	**44 861 737**	106 129 456	**44 861 737**	106 129 456
Investments	4	**6 301 443**	7 369 300	**–**	–
Other assets	5	**3 293 963**	1 519 509	**3 149 667**	1 441 023
Gold and foreign exchange reserves	6	**778 937 661**	931 979 812	**778 937 661**	931 979 812
Inventories	7	**1 175 609**	1 119 526	**4 239**	4 951
Forward exchange contract assets	8	**72 082**	1 802 777	**72 082**	1 802 777
Loans and advances	9	**13 726 181**	25 468 058	**13 726 181**	54 197
Current taxation asset	24	**693 631**	306	**693 631**	–
South African government bonds	10	**39 266 475**	9 236 468	**39 266 475**	9 236 468
Equity investment in Bank for International Settlements	11	**5 051 813**	5 635 768	**5 051 813**	5 635 768
Investment in subsidiaries	34.1	**–**	–	**1 011 000**	1 011 000
Investment in associate	34.3	**3 467 000**	3 467 000	**3 467 000**	3 467 000
Property, plant and equipment	12	**3 082 847**	2 963 378	**1 543 236**	1 379 375
Intangible assets	13	**1 123 608**	971 212	**1 086 775**	930 241
Total assets		**939 454 775**	1 118 199 166	**892 871 497**	1 063 072 134
Liabilities					
Notes and coin in circulation	15	**168 338 965**	155 544 239	**168 338 965**	155 544 239
Deposit accounts	16	**304 270 490**	346 627 283	**222 908 759**	274 779 698
Amounts due to Group companies	34.4	**–**	–	**38 352 704**	17 320 772
Foreign deposits	17	**93 284 583**	148 198 491	**93 284 583**	148 198 491
Other liabilities	18	**4 834 941**	4 487 619	**3 057 432**	3 759 160
South African Reserve Bank debentures	19	**15 010 035**	–	**15 010 035**	–
Forward exchange contract liabilities	8	**7 896 061**	99 308	**7 896 061**	99 308
Current taxation payable	24	**9 456**	1 014 053	**–**	994 754
Deferred taxation liabilities	14	**626 589**	523 692	**437 982**	368 209
Post-employment benefits	20	**2 775 083**	2 316 586	**2 569 623**	2 131 957
Gold and Foreign Exchange Contingency Reserve Account	21	**315 584 260**	436 062 044	**315 584 260**	436 062 044
Total liabilities		**912 630 463**	1 094 873 315	**867 440 404**	1 039 258 632
Capital and reserves					
Share capital	22	**2 000**	2 000	**2 000**	2 000
Accumulated profit/(loss)		**1 227 540**	(689 335)	**–**	–
Statutory reserve		**458 526**	450 138	**458 526**	450 138
Contingency reserve		**21 678 105**	20 084 429	**21 678 105**	20 084 429
Bank for International Settlement revaluation reserve		**2 998 586**	2 795 310	**2 998 586**	2 795 310
Property plant and equipment revaluation reserve		**86 897**	79 561	**86 897**	79 561
Post-employment benefit remeasurement reserve		**240 670**	441 278	**206 979**	402 064
Non-controlling interest		**131 988**	162 470	**–**	–
Total capital and reserves		**26 824 312**	23 325 851	**25 431 093**	23 813 502
Total liabilities capital and reserves		**939 454 775**	1 118 199 166	**892 871 497**	1 063 072 134

Consolidated and separate statement of profit or loss and other comprehensive income

for the year ended 31 March 2021

		GROUP		SARB	
	Notes	**2021 R'000**	2020 R'000	**2021 R'000**	2020 R'000
Interest revenue	32	**4 901 911**	7 859 107	**2 133 864**	3 720 604
Interest revenue from fair value items	32	**3 587 500**	3 461 772	**3 347 870**	2 548 625
Interest expense	32	**(5 623 029)**	(10 108 491)	**(2 918 514)**	(5 367 919)
Net interest revenue		**2 866 382**	1 212 388	**2 563 220**	901 310
Fair value gains	32	**5 485 066**	12 735 806	**5 737 484**	13 366 431
Dividend income[1]	32	**–**	41 226	**(200)**	1 441 426
Operating income	32.1	**5 420 767**	5 233 778	**922 984**	1 168 461
Total income	23.1	**13 772 215**	19 223 198	**9 223 488**	16 877 628
Credit impairment reversal/(loss)	23.2	**1 506 608**	(2 315 341)	**(41 595)**	–
Operating costs	23.3	**(10 611 614)**	(7 880 302)	**(6 812 718)**	(6 044 873)
Share of net profit of associate accounted for using the equity method	34.3	**118 525**	280 463	**–**	–
Impairment loss on investment in associate	34.3	**(118 525)**	(2 229 832)	**–**	(1 533 000)
Profit before taxation		**4 667 209**	7 078 186	**2 369 175**	9 299 755
Taxation	24	**(903 062)**	(3 577 481)	**(691 421)**	(2 915 218)
Profit for the year		**3 764 147**	3 500 705	**1 677 754**	6 384 537
Attributable to:					
The parent		**3 594 629**	2 851 470		
Non-controlling interest	34.1	**169 518**	649 235		
		3 764 147	3 500 705		
Other comprehensive income (net of taxation)					
Items that will not be reclassified to profit or loss					
Remeasurement of post-employment benefits	20	**(200 608)**	439 266	**(195 085)**	414 608
Revaluation adjustments of property, plant and equipment	12	**7 336**	(7 387)	**7 336**	(7 387)
Net gains on investments in equity instruments designated at fair value through other comprehensive income	11	**203 276**	246 580	**203 276**	246 580
Total comprehensive income for the year (net of taxation)		**3 774 151**	4 179 164	**1 693 281**	7 038 338
Attributable to:					
The parent		**3 604 633**	3 529 929		
Non-controlling interest		**169 518**	649 235		
Total comprehensive income		**3 774 151**	4 179 164		

1 Due to the solvency and going-concern issues noted in the CPD's 2020 Annual Financial Statements, it was recommended that the dividend be rescinded and repaid. The CPD Board approved the withdrawal of the dividend and requested repayment from the shareholder (SARB).

Consolidated and separate statement of cash flows

for the year ended 31 March 2021

		GROUP		SARB	
	Notes	**2021 R'000**	2020 R'000	**2021 R'000**	2020 R'000
Cash flows generated from/(utilised by) operating activities					
Cash generated from/(utilised by) operating activities	26	**21 143 517**	(19 007 236)	**3 652 594**	4 155 382
Interest received		**4 901 911**	7 859 107	**2 133 864**	3 720 604
Interest paid		**(5 623 029)**	(10 108 491)	**(2 918 514)**	(5 367 919)
Taxation received	24	**311**	1 121	**–**	–
Taxation paid	24	**(2 481 206)**	(2 423 120)	**(2 294 994)**	(1 793 355)
Dividends paid[1]	25 & 34	**(200 200)**	(620 600)	**(200)**	(200)
Transfer to SA government[1]		**–**	(249 405)	**–**	(207 470)
Net cash flows generated from/(utilised by) operating activities		**17 741 304**	(24 548 624)	**572 750**	507 042
Net cash flows generated from/(utilised by) investing activities		**122 825**	8 154 737	**(572 750)**	(507 042)
Purchase of property, plant and equipment	12	**(393 681)**	(250 061)	**(281 821)**	(68 807)
Proceeds on disposal of property, plant and equipment		**157**	3 810	**155**	1 898
Purchase of intangible assets	13	**(299 090)**	(447 592)	**(291 084)**	(440 133)
Net (acquisition)/disposal of investments		**815 439**	8 848 580	**–**	–
Net increase/(decrease) in cash and cash equivalents		**17 864 129**	(16 393 887)	**–**	–
Cash and cash equivalents at the beginning of the year		**20 536 596**	36 930 483	**–**	–
Cash and cash equivalents at the end of the year		**38 400 725**	20 536 596	**–**	–

1 Further detail is provided in the statement of changes in equity.

Consolidated statement of changes in equity: Group

for the year ended 31 March 2021

	Share capital R'000	Accumulated profit/(loss) R'000	Statutory reserve R'000	Contingency reserve R'000	BIS revaluation reserve R'000	PPE revaluation reserve R'000	PEB remeasure-ment reserve R'000	Total R'000	Non-controlling interest R'000	Total R'000
Balance at 31 March 2019	2 000	2 693 732	418 216	14 169 309	2 548 730	86 948	2 012	19 920 947	133 635	20 054 582
Total comprehensive income for the year	–	2 851 470	–	–	246 580	(7 387)	439 266	3 529 929	649 235	4 179 164
Profit for the year	–	2 851 470	–	–	–	–	–	2 851 470	649 235	3 500 705
Remeasurement of post-employment benefit	–	–	–	–	–	–	439 266	439 266	–	439 266
Revaluation of property, plant and equipment	–	–	–	–	–	(7 387)	–	(7 387)	–	(7 387)
Net gains on investments in equity instruments designated at FVOCI	–	–	–	–	246 580	–	–	246 580	–	246 580
Dividends paid	–	(200)	–	–	–	–	–	(200)	(620 400)	(620 600)
Transfer (from)/to reserves	–	(5 947 042)	31 922	5 915 120	–	–	–	–	–	–
Transfer to SA government	–	(287 295)	–	–	–	–	–	(287 295)	–	(287 295)
Balance at 31 March 2020	**2 000**	**(689 335)**	**450 138**	**20 084 429**	**2 795 310**	**79 561**	**441 278**	**23 163 381**	**162 470**	**23 325 851**
Total comprehensive income for the year	**–**	**3 594 629**	**–**	**–**	**203 276**	**7 336**	**(200 608)**	**3 604 633**	**169 518**	**3 774 151**
Profit for the year	**–**	**3 594 629**	**–**	**–**	**–**	**–**	**–**	**3 594 629**	**169 518**	**3 764 147**
Remeasurement of post-employment benefit	**–**	**–**	**–**	**–**	**–**	**–**	**(200 608)**	**(200 608)**	**–**	**(200 608)**
Revaluation of property, plant and equipment	**–**	**–**	**–**	**–**	**–**	**7 336**	**–**	**7 336**	**–**	**7 336**
Net gains on investments in equity instruments designated at FVOCI	**–**	**–**	**–**	**–**	**203 276**	**–**	**–**	**203 276**	**–**	**203 276**
Dividends paid	**–**	**(200)**	**–**	**–**	**–**	**–**	**–**	**(200)**	**(200 000)**	**(200 200)**
Transfer (from)/to reserves	**–**	**(1 602 064)**	**8 388**	**1 593 676**	**–**	**–**	**–**	**–**	**–**	**–**
Transfer to SA government	**–**	**(75 490)**	**–**	**–**	**–**	**–**	**–**	**(75 490)**	**–**	**(75 490)**
Balance at 31 March 2021	**2 000**	**1 227 540**	**458 526**	**21 678 105**	**2 998 586**	**86 897**	**240 670**	**26 692 324**	**131 988**	**26 824 312**

Consolidated statement of changes in equity: Group continued

for the year ended 31 March 2021

EXPLANATORY NOTES

STATUTORY RESERVE

The statutory reserve is maintained in terms of section 24 of the SARB Act, which stipulates that one-tenth of the surplus of the SARB, after provisions normally provided for by bankers and payment of dividends, has to be credited to the statutory reserve.

CONTINGENCY RESERVE

In terms of section 24 of the SARB Act and section 15 of the CPD Act, contingency reserves are maintained to provide against risks to which the SARB and the CPD respectively are exposed.

BANK FOR INTERNATIONAL SETTLEMENTS (BIS) REVALUATION RESERVE

The shares held in the BIS are held as part of the SARB's function as a central bank and are thus long-standing in nature. Shares are only transferable with the prior consent of the BIS. The net fair value gains/losses on the revaluation of the BIS shares are recognised in OCI. Changes in value due to foreign exchange movements are transferred to the GFECRA (Refer to note 11 for more details).

PROPERTY, PLANT AND EQUIPMENT (PPE) REVALUATION RESERVE

Gains and losses arising from a change in fair value of artwork are recognised in OCI. When these assets are sold, collected or otherwise disposed of, the cumulative gain or loss previously recognised in OCI will be recognised in accumulated profit.

POST-EMPLOYMENT BENEFIT (PEB) REMEASUREMENT RESERVE

Actuarial gains and losses relating to the remeasurement of the post-employment benefits, and arising from experience adjustments and changes in actuarial assumptions, are charged or credited to OCI in the period in which they arise. These gains and losses are not subsequently reclassified to profit or loss.

TRANSFER TO SA GOVERNMENT

In terms of section 24 of the SARB Act, nine-tenths of the surplus of the SARB, after provisions normally provided for by bankers and payment of dividends, has to be paid to SA government. For the year ended 31 March 2021 an amount of R75 million (2020: R287 million) was due to the SA government by the SARB.

In terms of section 15 of the CPD Act, the balance of net profits after transfers to reserves and payment of dividends has to be paid to SA government. For the year ended 31 March 2021 an amount of Rnil (2020: Rnil) was due to SA government by the CPD.

NON-CONTROLLING INTEREST

The group discloses non-controlling interest as a result of its 100% owned subsidiary (South African Mint) that owns 60.00% in Prestige Bullion.

Separate statement of changes in equity: SARB

for the year ended 31 March 2021

	Share capital R'000	Accumulated profit R'000	Statutory reserve R'000	Contingency reserve R'000	BIS revaluation reserve R'000	PPE revaluation reserve R'000	PEB remeasure-ment reserve R'000	Total R'000
Balance at 31 March 2019	2 000	–	418 216	14 019 309	2 548 730	86 948	(12 544)	17 062 659
Total comprehensive income for the year	–	6 384 537	–	–	246 580	(7 387)	414 608	7 038 338
Profit for the year	–	6 384 537	–	–	–	–	–	6 384 537
Remeasurement of post-employment benefit	–	–	–	–	–	–	414 608	414 608
Revaluation of property, plant and equipment	–	–	–	–	–	(7 387)	–	(7 387)
Net gains on investments in equity instruments designated at FVOCI	–	–	–	–	246 580	–	–	246 580
Dividends paid	–	(200)	–	–	–	–	–	(200)
Transfer (from)/to reserves	–	(6 097 042)	31 922	6 065 120	–	–	–	–
Transfer to SA government	–	(287 295)	–	–	–	–	–	(287 295)
Balance at 31 March 2020	**2 000**	**–**	**450 138**	**20 084 429**	**2 795 310**	**79 561**	**402 064**	**23 813 502**
Total comprehensive income for the year	**–**	**1 677 754**	**–**	**–**	**203 276**	**7 336**	**(195 085)**	**1 693 281**
Profit for the year	**–**	**1 677 754**	**–**	**–**	**–**	**–**	**–**	**1 677 754**
Remeasurement of post-employment benefit	**–**	**–**	**–**	**–**	**–**	**–**	**(195 085)**	**(195 085)**
Revaluation of property, plant and equipment	**–**	**–**	**–**	**–**	**–**	**7 336**	**–**	**7 336**
Net gains on investments in equity instruments designated at FVOCI	**–**	**–**	**–**	**–**	**203 276**	**–**	**–**	**203 276**
Dividends paid	**–**	**(200)**	**–**	**–**	**–**	**–**	**–**	**(200)**
Transfer (from)/to reserves	**–**	**(1 602 064)**	**8 388**	**1 593 676**	**–**	**–**	**–**	**–**
Transfer to SA government	**–**	**(75 490)**	**–**	**–**	**–**	**–**	**–**	**(75 490)**
Balance at 31 March 2021	**2 000**	**–**	**458 526**	**21 678 105**	**2 998 586**	**86 897**	**206 979**	**25 431 093**

Separate statement of changes in equity: SARB continued

for the year ended 31 March 2021

EXPLANATORY NOTES

STATUTORY RESERVE

The statutory reserve is maintained in terms of section 24 of the SARB Act, which stipulates that one-tenth of the surplus of the SARB, after provisions normally provided for by bankers and payment of dividends, has to be credited to the statutory reserve.

CONTINGENCY RESERVE

In terms of section 24 of the SARB Act, contingency reserves are maintained to provide against risks to which the SARB is exposed.

BIS REVALUATION RESERVE

The shares held in the BIS are held as part of the SARB's function as a central bank and are thus long-standing in nature. Shares are only transferable with the prior consent of the BIS. The net fair value gains/losses on the revaluation of the BIS shares are recognised in OCI. Changes in value due to foreign exchange movements are transferred to the GFECRA (Refer to note 11 for more details).

PPE REVALUATION RESERVE

Gains and losses arising from a change in fair value of artwork are recognised in OCI. When these assets are sold, collected or otherwise disposed of, the cumulative gain or loss previously recognised in OCI will be recognised in accumulated profit.

PEB REMEASUREMENT RESERVE

Actuarial gains and losses relating to the remeasurement of the post-employment benefits, and arising from experience adjustments and changes in actuarial assumptions, are charged or credited to OCI in the period in which they arise. These gains and losses are not subsequently reclassified to profit or loss.

TRANSFER TO SA GOVERNMENT

In terms of section 24 of the SARB Act, nine-tenths of the surplus of the SARB, after provisions normally provided for by bankers and payment of dividends, has to be paid to SA government. For the year ended 31 March 2021 an amount of R75 million (2020: R287 million) was due to the SA government by the SARB.

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

The principal accounting policies adopted in the preparation of these financial statements are set out below. These accounting policies should be read together with the financial reporting framework on page 7.

These financial statements have been prepared on a going concern basis, in accordance with the SARB Act and the accounting policies set out in this note. The directors have considered the impact of COVID-19 on the going concern of the Group. While further waves of infection are expected, the start of vaccination programmes in many countries have lifted projections for global economic growth and significantly boosted confidence. Financial markets have generally improved and stabilised in line with stronger growth and expectations that policy settings in advanced economies will remain accommodative. The directors have concluded that the impact of the pandemic has no effect on the going concern of the SARB and its subsidiaries. The use of the going concern assumption is therefore deemed appropriate.

These financial statements comprise the consolidated and separate statement of financial position as at 31 March 2021, consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year ended 31 March 2021, as well as the notes, comprising a summary of significant accounting policies and other explanatory notes.

In accordance with the Financial Sector Regulation Act 9 of 2017 (FSR Act) separate financial statements in relation to the Prudential Authority is required. The Prudential Authority financial statements are included on pages 101 to 102.

The Group's functional and presentation currency is the South African rand and all amounts are rounded to the nearest thousand, unless otherwise stated.

The preparation of the financial statements requires the use of certain key accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies of the Group. The areas with a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 1.22 and the relevant notes.

The accounting policies have been applied consistently to all years presented, except for the change described below.

1.2 NEW STANDARDS AND INTERPRETATIONS

1.2.1 New and amended standards adopted by the Group

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

Amendments to IFRS 16 Leases (IFRS 16) – Rent Concessions related to COVID-19

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees by lessors. The amendments to IFRS 16, which were made in May 2020, provides lessees with an option to treat qualifying rent concessions in the same way as they would if it were not a lease modification. This would likely result in the concessions being accounted for as variable lease payments in the period granted.

The amendment to IFRS 16 did not have an impact on the Group for the year ended 31 March 2021.

There are no other new or amended standards applicable to the Group for the financial year ended 31 March 2021.

1.2.2 New standards, amendments and interpretations not yet adopted by the Group

A number of new standards, amendments and interpretations are effective for annual periods beginning after 1 January 2022 and have not been early adopted in preparing these financial statements. These are as follows:

Amendments to IAS 1 Presentation of Financial Statements (IAS 1) – Classification of Liabilities as Current or Non-Current

The amendments clarify that liabilities are classified as either current or non-current liabilities, depending on the rights that exist at the end of the reporting period as well as clarify what IAS 1 means in reference to the “settlement” of a liability.

Amendments to IFRS 3 Business Combinations (IFRS 3) – Reference to the Conceptual Framework

Minor amendments relate to the update of references to the Conceptual Framework for Financial Reporting and the addition of an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets (IAS 37) and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

Amendments to IAS 37 – Onerous Contracts: Cost of Fulfilling a Contract

The amendment clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

1. ACCOUNTING POLICIES continued

1.3 GROUP ACCOUNTING

1.3.1 Subsidiaries

Subsidiaries are all entities over which the SARB has control. The SARB controls an entity when the SARB is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date on which control is transferred to the SARB.

The acquisition method of accounting is used to account for subsidiaries. In the separate financial statements of the SARB, investments in subsidiaries are stated at cost less allowance for impairment losses where appropriate and includes loans to subsidiaries with no repayment terms where these are considered part of the investment in subsidiaries.

Intercompany transactions, balances and unrealised gains on transactions between the Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group, with the exception of the SARB's policy on foreign currency translation (refer to note 1.6). These foreign exchange profits or losses are for the account of SA government and are thus transferred to the GFECRA in terms of sections 25 to 28 of the SARB Act.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity respectively. Total comprehensive income of subsidiaries is attributed to the SARB and to the non-controlling interest, even if this results in the non-controlling interests having a debit balance.

1.3.2 Associates

An associate is an entity over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20.00% and 50.00% of the voting rights.

The Group initially recognises its investment in associate at cost and subsequently accounts for its share of the post-acquisition profits or losses of the associate in profit or loss, and the Group's share of movements in OCI of the associate in OCI.

Dividends received or receivable from an associate are recognised as a reduction in the carrying amount of the investment. In the separate financial statements of the SARB, the investment in associate is accounted for at cost less allowance for impairment losses where appropriate.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in this entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the equity accounted investee have been changed where necessary to ensure consistency with the policies adopted by the Group, with the exception of the SARB's policy on foreign currency translation (refer to note 1.6). These foreign exchange profits or losses are for the account of SA government and are thus transferred to the GFECRA in terms of sections 25 to 28 of the SARB Act.

The carrying amount of an equity-accounted investment is tested for impairment in accordance with the policy in note 1.9.

1.4 FINANCIAL INSTRUMENTS

Financial instruments include all financial assets and financial liabilities, including derivative instruments, but exclude investments in subsidiaries, investment in associate, post-employment benefit plans, provisions, property, plant and equipment, deferred taxation, intangible assets, inventories, surplus due to SA government and taxation payable or prepaid.

1.4.1 Financial assets

1.4.1.1 Classification

The Group classifies its financial assets into the following measurement categories:

- amortised cost;
- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVPL); and
- instruments measured in terms of the SARB Act

The Group determines the classification of financial assets based on both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Classification of a financial instrument into a category occurs at initial recognition.

1. ACCOUNTING POLICIES continued

1.4 FINANCIAL INSTRUMENTS CONTINUED

1.4.1 Financial assets continued

1.4.1.1 Classification continued

For debt instruments, the business model test and cash flow characteristics of solely payments of principal and interest (SPPI) test is applied by the Group in determining the category which best applies to the financial instruments that it holds and or trades. Under the business model test the Group determines the objective for which it holds the financial instrument:

- holding the financial asset to collect the contractual cash flows;
- selling the instrument prior to its contractual maturity to realise its fair value changes; or
- holding for collection of contractual cash flows and for selling the assets.

The Group holds financial instruments for the collection of contractual flows. Factors considered by the Group in determining the business model of a group of assets include past experience on how the cash flows for these assets are collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. The business model test is performed before the SPPI test.

Under the SPPI test, the Group determines whether the collection of contractual cash flows represent SPPI on specified dates. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

The Group reclassifies instruments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change.

Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not specifically excluded in terms of sections 25 to 28 of the SARB Act or designated at FVPL, are measured at amortised cost. Financial assets held at amortised cost include:

- cash and cash equivalents;
- accommodation to banks;
- loans and advances; and
- other financial assets.

Fair value through other comprehensive income

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and that are not specifically excluded in terms of sections 25 to 28 of the SARB Act or designated at FVPL, are measured at FVOCI.

If an equity instrument is held for purposes other than to generate investment returns, the Group can make an irrevocable election at initial recognition to measure it at FVOCI. The Group's policy is to designate equity instruments as FVOCI when those instruments are held for purposes other than to generate investment returns.

The BIS shares are held as part of the SARB's function as a central bank and not to generate investment returns. In accordance with the Group's policy, this has been designated at FVOCI. Refer to note 11 for further disclosure.

Fair value through profit or loss

Positive derivatives, assets that do not meet the criteria for amortised cost, FVOCI and that are not specifically excluded in terms of sections 25 to 28 of the SARB Act are measured at FVPL. Assets can be designated at FVPL at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency; or if the financial asset will form part of a held-for-trading portfolio of financial assets that is managed and its performance is evaluated on a fair-value basis, in accordance with a documented risk management or investment strategy and information about the portfolio is provided internally on that basis to key management personnel.

Financial assets held at FVPL include:

Mandatory:

- derivatives (forward exchange contracts, futures contracts and interest rate swaps).

The SARB seeks to minimise the effects of currency and interest rate risks by using such instruments to economically hedge the related risk exposures. The SARB does not enter into or trade financial instruments, including derivative financial instruments, for proprietary trading purposes. Refer to note 6 for further disclosure.

Designated:

- cash and cash equivalents;
- short-term South African money market investments;
- foreign exchange reserves; and
- SA government bonds.

1. ACCOUNTING POLICIES continued

1.4 FINANCIAL INSTRUMENTS CONTINUED

1.4.1 Financial assets continued

1.4.1.1 Classification continued

Instruments measured in terms of the SARB Act

Regardless of the classification as per *IFRS 9*, the accounting treatment for financial assets as governed in terms of sections 25 to 28 of the SARB Act will not change as the SARB Act takes precedence over IFRS. The SARB Act's accounting treatment is not in line with any of the *IFRS 9* classification requirements and consequently these instruments are not classified in accordance with *IFRS 9* for reporting purposes. The financial reporting framework of the SARB specifically refers to this deviation from IFRS.

The following assets are governed in terms of sections 25 to 28 of the SARB Act and thus not classified in terms of *IFRS 9*:

- gold;
- Special Drawing Rights (SDR) reserves; and
- Forward Exchange Contract (FEC) assets.

These FECs are on the domestic managed portfolio for matching exposures on assets and liabilities, both individually and of portfolios and to manage monetary policy operations of the SARB. Forward exchange contracts are commitments to exchange one set of cash flows for another, however the Bank does not apply the hedge accounting rules of IFRS 9. Refer to note 8 for further disclosure.

1.4.1.2 Initial recognition

Financial assets are recognised when the Group becomes party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. From this date, any gains or losses arising from changes in the fair value of the assets and liabilities are recognised.

Financial assets are initially recognised at fair value plus transaction costs, except those carried at FVPL. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss (ECL) allowance is recognised for financial assets measured at amortised cost and FVOCI, as described in note 29, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

The best evidence of fair value on initial recognition is the transaction price, unless fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on discounted cash-flow models and option-pricing valuation techniques whose variables include data from observable markets.

When the fair value of financial assets differs from the transaction price on initial recognition, the Group recognises the difference as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- In all other cases, the difference is deferred, and the timing of recognition of the deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

1.4.1.3 Subsequent measurement

Equity instruments

All equity investments are valued at fair value with value changes recognised in profit or loss except where the Group has elected to present the fair value changes in OCI.

Where the Group has elected to designate an equity instrument at FVOCI, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss.

Debt instruments

Amortised cost

The carrying amount of these assets is adjusted by any ECL allowance recognised and measured as described in note 29. Amortised cost is calculated using the effective interest method that discounts the estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset. Interest income using the effective interest method from these financial assets is included in profit or loss.

Fair value through profit or loss

A gain or loss on a debt instrument subsequently measured at FVPL and not part of a hedging relationship is recognised in profit or loss. Interest income using the effective interest method from these financial assets is included in profit or loss.

1. ACCOUNTING POLICIES continued

1.4 FINANCIAL INSTRUMENTS CONTINUED

1.4.1 Financial assets continued

1.4.1.3 Subsequent measurement continued

Debt instruments continued

Fair value through other comprehensive income

Movements in the carrying amount are taken through OCI, except for the recognition of impairment losses or reversals and interest revenue on the instrument's amortised cost which are recognised in profit or loss and changes in fair value due to foreign exchange movements as explained in note 1.6. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

Instruments measured in terms of the SARB Act

In terms of sections 25 to 28 of the SARB Act all gains and losses on gold held by the SARB and foreign exchange profits or losses of the SARB (as explained in note 1.6), insofar as they arise from changes in the value of the rand compared to other currencies, are for the account of SA government and consequently all these profits or losses are transferred to the GFECRA.

1.4.1.4 Impairment of financial assets

The Group assesses on a forward-looking basis the ECL associated with its debt instruments carried at amortised cost, debt instruments carried at FVOCI and the exposure arising from loan commitments. The Group recognises a loss allowance for such losses at each reporting date. No impairment loss is recognised on equity instruments.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial assets are only written off after all recovery options have been exhausted and in consultation with legal counsel.

ECL measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition. The Group applies the same model for all financial assets and is summarised below:

- A financial instrument that has not undergone a significant increase in credit risk (SICR) since initial recognition and is not credit-impaired is classified in 'stage 1' and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to 'stage 2' but is not yet deemed to be credit impaired. Please refer to note 29.2.2.1 for a description of how the Group determines when a SICR has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'stage 3'. Please refer to note 29.2.2.2 for a description of how the Group defines credit impaired and default.
- Financial instruments in stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that result from default events possible within the next 12 months. Financial instruments in Stages 2 or 3 have their ECL measured on a lifetime basis.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (stage 3).

The Group uses the following key inputs in its model for measuring ECL:

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

Please refer to note 29.2.2.3 for a description of inputs, assumptions and estimation techniques used in measuring the ECL.

- A pervasive concept in measuring ECL in accordance with *IFRS 9* is that it should consider forward-looking information. note 29.2.2.4 includes an explanation of how the Group has incorporated this in its ECL models.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (stage 3).

The ECL assessment in terms of the financial guarantee provided to the commercial banks under the loan guarantee scheme (LGS) is summarised below:

- The ECL allowance calculated by the commercial banks for the portfolio of borrowings under the LGS is obtained and reviewed by the Group. Similar to the Group, the commercial banks follow a "three-stage" model for impairment based on changes in the credit quality since initial recognition and use the same key inputs in their models for measuring ECL.
- The ECL allowance is reduced by the guarantee fee premium which serve as the first and second loss buffer under the waterfall for recovery of losses and thereafter by a 6.00% borrowers risk portion (third loss buffer) which is borne by the commercial banks.

1. ACCOUNTING POLICIES continued

1.4 FINANCIAL INSTRUMENTS CONTINUED

1.4.1 Financial assets continued

1.4.1.4 Impairment of financial assets continued

ECL measurement continued

- The ECL allowance that remains after taking into account the first to third loss buffers will be recognised as an ECL in terms of the financial guarantee. The SARB's obligations under the LGS are covered by a full back-to-back guarantee from the SA government.

Write off policy

- Financial assets are only written off after all recovery options have been exhausted and in consultation with legal counsel. The Group writes off financial assets when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Indicators thereof include ceasing enforcement activity or where the collateral value indicates that there is no reasonable expectation of recovery.
- Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.
- The key judgements and assumptions adopted by the Group in addressing the requirements of the standard are discussed in note 29.2.2.1.

1.4.1.5 Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the assets have expired, or where the Group has transferred substantially all risks and rewards of ownership.

Collateral furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

1.4.2 Financial liabilities

1.4.2.1 Classification

The Group classifies its financial liabilities into the following measurement categories:

- amortised cost;
- fair value through profit or loss; and
- instruments measured in terms of the SARB Act.

The Group classifies a financial instrument that it issues as a financial liability in accordance with the substance of the contractual agreement. Management determines the classification of financial liabilities at initial recognition.

Financial liabilities at amortised cost

All financial liabilities are measured at amortised cost, except for liabilities specifically excluded in terms of sections 25 to 28 of the SARB Act, derivatives, if the liabilities are managed and performance evaluated on a fair value basis and financial liabilities designated at FVPL.

Financial liabilities held at amortised cost include:

- notes and coin in circulation;
- deposits; and
- other financial liabilities.

Financial liabilities at fair value through profit or loss

Negative derivatives, liabilities managed, and performance evaluated on a fair value basis and financial liabilities so designated are measured at FVPL (an entity may, at initial recognition, irrevocably designate a financial liability as measured at FVPL when doing so results in more relevant information).

Financial liabilities held at FVPL include:

- foreign deposits.

Instruments measured in terms of the SARB Act

Regardless of the classification as per *IFRS 9*, the accounting treatment for financial liabilities as governed in terms of sections 25 to 28 of the SARB Act will not change as the SARB Act takes precedence over IFRS. The SARB Act's accounting treatment is not in line with any of the *IFRS 9* classification requirements and consequently these instruments do not have to be classified in accordance with *IFRS 9* for reporting purposes. The financial reporting framework of the SARB on page 7 specifically refers to this deviation from IFRS.

The following liabilities are governed in terms of sections 25 to 28 of the SARB Act and thus not classified in terms of *IFRS 9*:

- Forward Exchange Contract (FEC) liabilities; and
- the GFECRA.

1.4.2.2 Initial recognition

The Group recognises financial liabilities when it becomes a party to the contractual provisions of the instrument.

Financial liabilities are initially recognised at fair value, generally being their issue proceeds net of transaction costs incurred, except for financial liabilities at FVPL. The best evidence of fair value on initial recognition is the transaction price, unless the fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on discounted cash-flow models and option-pricing valuation techniques whose variables include only data from observable markets.

1. ACCOUNTING POLICIES continued

1.4 FINANCIAL INSTRUMENTS CONTINUED

1.4.2 Financial liabilities continued

1.4.2.3 Subsequent recognition

Amortised cost

Amortised cost is calculated using the effective interest method that discounts the estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial liability.

Instruments measured in terms of the SARB Act

In terms of sections 25 to 28 of the SARB Act all gains and losses on gold held by the SARB (as explained in note 1.6), and foreign exchange profits or losses of the SARB insofar as they arise from changes in the value of the rand compared to other currencies, are for the account of SA government and consequently all these profits or losses are transferred to the GFECRA.

Fair value through profit or loss

Subsequent to initial recognition, financial liabilities are measured at fair value. All related, realised and unrealised gains or losses arising from changes in fair value, excluding changes in fair value due to foreign exchange movements as explained in note 1.6 are recognised in profit or loss.

1.4.2.4 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled, expire or are substantially modified. The difference between the carrying amount of the financial liability derecognised, and the consideration paid and payable is recognised in profit or loss.

1.4.3 Effective interest rate

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (excluding ECL, but including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument or, where appropriate, a shorter period to the net carrying amount of the financial asset or liability. For purchased or originated credit-impaired financial assets, the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial instruments is adjusted to reflect the new estimate, discounted using the original effective interest rate. Any changes are recognised in profit or loss.

1.4.4 Offsetting of financial instruments

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

In addition, as set out in notes 6.2 and 8 to the financial statements, financial assets and liabilities arising from derivatives have been offset.

The fair value of all derivatives is recognised in the consolidated and separate statement of financial position and is only netted to the extent that a legal right of setting off exists and there is an intention to settle on a net basis.

1.4.5 Unrecognised financial assets and liabilities

1.4.5.1 Committed Liquidity Facility

The committed liquidity facilities (CLFs) are designed to allow local banks to meet Basel III rules that require financial institutions to hold high-quality liquid assets (HQLA) as a buffer during times of market stress. Subsequently, the SARB has approved the provision of a CLF to assist banks to meet the liquidity coverage ratio (LCR).

The available facility is limited to the lower of the facilities entered into and the available collateral after the haircut is applied. A haircut is applied to the collateral registered with the SARB as per the contractual agreement, based on the risk associated with each class of asset registered as collateral.

1.4.5.2 Guarantees

Guarantees represent contracts where the Group undertakes to make or receive specified payments to or from a counterparty, should a counterparty or the SARB suffer loss as a result of a specified debtor failing to make payment when due in accordance with the terms of a debt instrument. This amount represents the maximum exposure not recognised in the statement of financial position.

1.5 FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Fair values are determined according to the fair value hierarchy based on the requirements in *IFRS 13 Fair Value Measurement*. Refer to note 31 for further details.

1. ACCOUNTING POLICIES continued

1.5 FAIR VALUE CONTINUED

1.5.1 Derivatives

A derivative is a financial instrument, the value of which changes in response to an underlying variable that requires little or no initial investment and is settled at a future date. Fair values are obtained from quoted market prices (excluding transaction costs), dealer price quotations, discounted cash-flow models and option-pricing models, which consider current market and contractual prices for the underlying instruments, as well as the time value of money.

1.5.2 Foreign marketable money market instruments

The fair value of foreign marketable money market investments is based on quoted bid rates, excluding transaction costs.

1.5.3 Local and foreign portfolio investments including securities lending portfolio investments

The fair values of portfolio investments are valued using the quoted market values.

Where these instruments are bank deposits, they are valued at nominal values plus accrued interest based on market rates. These values approximate fair values.

1.5.4 SA government bonds

Listed bonds are valued using quoted fair values at year-end as supplied by the JSE Limited.

1.5.5 BIS shares

The SARB's investment in the BIS is valued at the net asset value of the BIS with a haircut of 30.00% applied. The net asset value of the shares is based on SDRs. This adjustment is not subject to sensitivity. Changes in value due to foreign exchange movements are transferred to the GFECRA in accordance with the SARB Act.

1.5.6 Valuable art

The fair value of valuable art is determined based on the price at which an orderly transaction to sell the assets would take place between market participants at the measurement date under current market conditions.

Revaluations of valuable art shall be made every three years by an independent, reliable valuator to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. In the absence of an official fair value assessment by an independent valuator, the insured value will be used as an indicator of fair value.

If an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognised in OCI and accumulated in equity under the heading of PPE revaluation reserve. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be recognised in OCI to the extent of any credit balance existing in the revaluation reserve in respect of that asset. The decrease recognised in OCI reduces the amount accumulated in equity under the heading of revaluation reserve.

The PPE revaluation reserve included in equity in respect of an item of valuable art may be transferred directly to accumulated profit when the asset is derecognised.

1.6 FOREIGN CURRENCY – EXCHANGE GAINS OR LOSSES ARISING IN ENTITY ACCOUNTS

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange profits or losses of the SARB, insofar as they arise from changes in the value of the rand compared to other currencies, are for the account of SA government and consequently all these profits or losses are transferred to the GFECRA in terms of sections 25 to 28 of the SARB Act. Investment returns on foreign exchange reserves and interest paid on foreign loans are for the account of the SARB and are accounted for in profit or loss. Gains and losses on conversion to the functional currency are recognised in profit or loss for the subsidiaries and associate.

1.7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are identifiable non-monetary assets which the Group holds for its own use and which are expected to be used for more than one year.

Property, plant and equipment is recognised when:

- it is probable that expected future economic benefits attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Property, plant and equipment are initially recognised at cost.

Freehold land and items under construction are subsequently carried at cost less accumulated impairment losses. Valuable art whose fair value can be measured reliably is carried at the revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated impairment losses. Other items of property, plant and equipment are subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is determined separately for each significant part of an item of property, plant and equipment, and is charged so as to write off the cost of the assets (other than land, valuable art and items under construction) to their residual value over their estimated useful life, using the straight-line method. Land and valuable art have indefinite useful lives and are not depreciated.

1. ACCOUNTING POLICIES continued

1.7 PROPERTY, PLANT AND EQUIPMENT CONTINUED

Items under construction are not used and thus not depreciated. The residual values, useful life and the depreciation method of assets are reviewed at each reporting date and adjusted if appropriate.

The estimated average useful lives of assets are as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	50
Furniture and equipment	Straight line	2 to 28
Land	Not depreciated	Indefinite
Valuable art	Not depreciated	Indefinite
Vehicles	Straight line	5 to 7
Work in progress	Not depreciated	

Work in progress consists of items under construction and is measured at cost. Work in progress is transferred to the related category of assets and depreciated accordingly when the asset is completed and available for use.

Subsequent costs are included in the carrying amount of the asset only when it is probable that future economic benefits associated with the items will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance costs are charged to profit or loss when incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment is included in the profit or loss.

1.8 INTANGIBLE ASSETS

Intangible assets are identifiable non-monetary assets without physical substance which the Group holds for its own use, and which are expected to be used for more than one year. This includes internally generated assets and purchased computer software. Internally generated assets are disclosed separately.

An intangible asset is recognised when:

- it is probable that expected future economic benefits attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Purchased software and the direct costs associated with the customisation and installation thereof are capitalised.

Expenditure on internally developed software is capitalised if it meets the criteria for capitalising development expenditure. Other software development expenditure is charged to profit or loss when incurred.

Research expenditure relating to gaining new technical knowledge and understanding is charged to profit or loss when incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values. The residual values, amortisation period and the amortisation method for intangible assets are reviewed at each reporting date and adjusted if appropriate. The estimated average useful lives of the assets are as follows:

Item	Amortisation method	Average useful life
Purchased computer software	Straight line	2 to 10
Internally generated computer software	Straight line	2 to 10
Work in progress	Not amortised	

Work in progress consists of items under construction and is measured at cost. Work in progress is transferred to the related category of assets and amortised accordingly when the asset is completed and available for use.

Intangible assets are subsequently carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is derecognised upon disposal or when no future economic benefits are expected from use or disposal. Any gain or loss arising from the derecognition of an intangible asset is included in profit or loss.

1. ACCOUNTING POLICIES continued

1.9 IMPAIRMENT ON NON-FINANCIAL ASSETS

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment, in which case their recoverable amount is estimated.

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. The discounted cash flow analysis is used to determine the fair value of the investment in subsidiary/associate and estimated future cash flows are based on management's best estimates. The assumptions used in the forecast are based on available historical information, taking management opinion and experience into consideration. Cash flow projections are approved by the subsidiary/associate's Boards and consists of cash flows from the associate and all its subsidiaries. A five-year forecasting period is used for cash flow projections from the subsidiary/associate and where available forecasts fall short of the five-year forecasting period, nominal growth in line with inflation is assumed. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Investments in subsidiaries and associate are tested for impairment when dividends are declared to the holding company.

An impairment loss is recognised in profit or loss whenever the subsidiary or associate declares dividends to the holding company and evidence is available that:

- the carrying amount of the investment in the separate financial statements of the holding company exceeds the carrying amount in the consolidated financial statements of the investee's net assets; or
- the dividend exceeds the total comprehensive income of the subsidiary or associate in the period the dividend is declared.

Non-financial assets that suffered an impairment loss are reviewed for possible reversal of the impairment at each reporting date.

A previously recognised impairment loss will be reversed if the recoverable amount increases as a result of a change in the estimates used previously to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognised.

1.10 GOLD

Gold is held by the SARB as part of its foreign reserves. In terms of section 25 of the SARB Act, gold is recorded at the prevailing rates at initial recognition, including transaction costs. Subsequent to initial measurement, it is valued at the statutory price. The statutory price is the quoted price at the reporting date. Gold loans are measured at the quoted price at the reporting date. In terms of section 25 of the SARB Act, all gains or losses on gold, held by the SARB, are for the account of the SA government and, transferred to the GFECRA.

1.11 TAXATION

The taxation expense for the period comprises current and deferred taxation. 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 expected to be paid to the tax authorities.

The charge for current taxation is based on the results for the year as adjusted for items that are non-assessable or disallowed for taxation purposes. It is calculated using taxation rates that have been enacted or substantially enacted by the reporting date, and any adjustment of taxation payable for previous years.

Deferred taxation is provided using the liability method, based on temporary differences. However, deferred taxation liabilities are not recognised if they arise from the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using taxation laws enacted or substantively enacted at the reporting date. Deferred taxation is charged to profit or loss, except to the extent that it relates to a transaction that is recognised in OCI or in equity. In this case, the taxation is also recognised in OCI or in equity. The effect on deferred taxation of any changes in taxation rates is recognised in profit or loss, except to the extent that it relates to items previously charged or credited directly to equity or OCI.

Deferred taxation assets are recognised for all deductible temporary differences, the carry forward of unused taxation losses and the carry forward of unused taxation credits.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and associate except for deferred taxation where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

1. ACCOUNTING POLICIES continued

1.11 TAXATION CONTINUED

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to offset current taxation assets against current taxation liabilities, and when the deferred taxation assets and liabilities relate to income taxation levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.12 EMPLOYEE BENEFITS

1.12.1 Pension and retirement funds

Group companies operate various pension schemes. The schemes are funded through employer and employee contributions to insurance companies or trustee-administered funds. All funds in which the Group participates are defined contribution funds, however, there is an element within the SARB retirement fund which is deemed to be defined benefit in nature. This element, as detailed in note 20.3 is treated according to the principles of a defined benefit plan.

1.12.1.1 Defined benefit plans

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The expected costs of post-employment defined benefits are charged to profit or loss over the expected service life of the employees entitled to these benefits according to the projected unit credit method. Costs are actuarially assessed, and expense adjustments and past-service costs resulting from plan amendments are amortised over the expected average remaining service life of the employees.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date, together with adjustments for unrecognised actuarial gains or losses and past-service costs. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to OCI in the period in which they arise. Remeasurements are not classified to profit or loss in subsequent periods. Past-service costs are recognised in profit or loss at the earlier of the following dates: (i) when the plan amendment or curtailment occurs or, (ii) when the entity recognises related restructuring costs or termination benefits.

1.12.1.2 Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity or fund. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees' benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expenses when they are due.

1.12.2 Post-employment benefits

The SARB provides post-employment medical and group life benefits to qualifying employees and retired personnel by subsidising a portion of their medical aid and group life contributions.

Entitlement to these benefits is based on employment prior to a certain date and is conditional on employees remaining in service up to retirement age. The expected costs of post-employment defined benefits are charged to profit or loss over the expected service life of the employees entitled to these benefits according to the projected unit credit method. Costs are actuarially assessed, and expense adjustments and past-service costs resulting from plan amendments are amortised over the expected average remaining service life of the employees.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to OCI in the period in which they arise. Past-service costs are recognised immediately in profit or loss, to the extent that they relate to retired employees or past-service.

The liability is provided for in an actuarially determined provision.

1.12.3 Leave pay accrual

Employee entitlements to annual leave and long-service leave are recognised when they accrue to employees.

The leave pay accrual at the reporting date represents the present obligation to employees as a result of employees' services provided up to the reporting date. The accrual is measured as the amount that is expected to be paid as a result of the unutilised leave entitlement that has accumulated at the reporting date.

1. ACCOUNTING POLICIES continued

1.13 SALE AND REPURCHASE AGREEMENTS

The SARB has entered into sale and repo agreements as part of its monetary policy activities. Securities purchased under agreements to resell are recorded under accommodation to banks at amortised cost. Securities sold under agreement to repurchase are disclosed as reverse repo agreements included in deposit accounts.

The underlying securities purchased under repo agreements are not recorded by the SARB. Likewise, underlying securities sold under repo agreements are not derecognised by the SARB.

The differences between the purchase and sale prices are treated as interest and accrued using the effective interest method.

The standing facilities are available daily on an automated basis in the form of a bilateral repo or reverse repo transactions maturing on the following business day. The respective interest rates are set at a spread of 100 basis points above or below the prevailing repo rate for the standing facility repo and reverse repo transactions, respectively. The SARB may change the spread from the repo rate at any time at its discretion.

1.14 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

Redundant and slow-moving inventories are identified and written down to their estimated economic or realisable values. Raw materials are valued at cost according to the first-in, first-out basis by subsidiaries. Some raw materials are valued at standard cost, which closely approximates actual cost on a first-in, first-out basis.

Consumable stores are valued at the weighted-average cost price. Maintenance spares are valued at average cost.

Finished goods and work in progress are valued at direct costs of conversion and production overheads on a first-in, first-out basis. Production overheads are included in the cost of manufactured goods, based on normal operating capacity.

Note-printing and coin-minting expenses include ordering, printing, minting, freight, insurance and handling costs. These costs are recorded as part of work in progress for the SABN and the South African Mint and are released to profit or loss when the currency is sold to the SARB.

1.15 COST OF NEW CURRENCY

The SARB recognises the cost of new currency in profit or loss when the banknotes and coin are delivered, and the significant risks and rewards of ownership are transferred to the SARB.

1.16 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of deposits with banks and other short-term highly liquid money market investments with original maturities of three months or less (91 days and less). Where the maturity date falls on a weekend or a public holiday, the next business day convention will apply; however, the investment will still be considered a 91-day investment. In the separate financial statements, no cash and cash equivalents are reflected due to the SARB's role as a central bank in the creation of money.

The statement of cash flows includes cash on hand, bank overdrafts of subsidiaries and short-term money market instruments. This has been presented on the indirect method of preparation.

1.17 PROVISIONS

Provisions are liabilities of uncertain timing or amount and are recognised when the Group has a present legal or constructive obligation as a result of past events for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at management's estimate of the expenditure required to settle that obligation at the end of each reporting period, and are discounted (at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability) to present value where the effect is material. Provisions are not recognised for future operating losses.

Where there are several similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2021

1. ACCOUNTING POLICIES continued

1.18 REVENUE RECOGNITION

1.18.1 Net interest income

Interest income is recognised using the effective interest method, taking into account the principal outstanding and the effective interest rate over the period to maturity. Interest income is recognised in profit or loss for all financial assets measured at amortised cost and debt instruments measured at FVOCI. In addition, interest expense is calculated on debt instruments measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The original effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Where financial assets have been impaired, interest income continues to be recognised on the impaired value, based on the original effective interest rate. Interest income includes the amortisation of any discount or premium, or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest basis.

Interest income for all financial assets measured at FVPL is presented separately from interest income from financial assets measured at amortised cost and debt instruments measured at FVOCI.

1.18.2 Non-interest revenue

Non-interest revenue consists of revenue from contracts with customers within the scope of IFRS 15 and non-interest revenue arising from financial instruments to which the SARB is party to. All non-interest revenue is included in operating income except where stated otherwise.

1.18.2.1 Revenue from contracts with customers

The Group assesses if a contract falls within the scope of IFRS 15 and follows the five-step model to recognise revenue from contracts with customers:

- identify the contract with a customer;
- identify the performance obligations in the contract;
- determine the transaction price
- allocate the transaction price to the performance obligations in the contract, and
- recognise revenue when (or as) the performance obligations are satisfied.

The group recognises revenue in a manner that depicts the transfer of promised services to customers in an amount that reflects the consideration to which the group expects to be entitled in exchange for those services.

Revenue from contracts with customers comprises the following items:

Settlement commission income

The SARB provides settlement services for both the National payments system (NPS) and the Southern African Development Community real-time gross settlement (SADC-RTGS). The performance obligation of the SARB is to receive and process settlement instructions on behalf of NPS and SADC-RTGS participants. Revenue is recognised at the point in time when the performance obligation has been satisfied i.e settlement instruction has been executed.

Bulk cash service fees

The SARB earns fees on banknote deposit and banknote withdrawal services provided to users of bulk cash services. The performance obligation of the SARB is the distinct service of accepting a deposit or performing a withdrawal of bulk cash. The consideration is variable depending on the number of notes being deposited or withdrawn and the penalties charged on the condition of the bank notes on deposit. The performance obligation is satisfied when the SARB has successfully processed a deposit or withdrawal. Revenue is recognised at a point in time when the deposit or withdrawal is accepted.

Licence fees

The annual license fees are fees charged by the SARB to any institution to obtain a license either to operate as a bank, to establish a branch for an existing bank or to operate a business of insurance. The performance obligation is the provision of supervisory services by operation of law. Fees are payable in advance on an annual basis and non-refundable. Revenue is recognised at the point when the fees are due.

Bank charges

The SARB provides banking services to the SA government on a monthly basis and earns revenue in the form of bank charges. The performance obligations of the SARB is to provide banking services which include, but are not limited to Electronic Fund transfers, foreign and local payments and download of deposits from commercial banks. The performance obligations are satisfied when the SARB executes the specific transaction. The bank charges are recognised at a point in time when the service has been rendered.

1. ACCOUNTING POLICIES continued

1.18 REVENUE RECOGNITION CONTINUED

Management fees

The Bank receives management fees from the CPD, the SARB Retirement Fund, the SABN and the SA Mint.

A fee is charged to the SABN and the SA Mint for the secretariat support provided by the SARB Group Secretariat, which includes meeting facilitation, minute taking, circulation of resolutions, and fulfilment of certain legislative requirements in term of the Companies Act and overall governance services and support.

A fee is charged to the SARB Retirement Fund for the provision of consulting support services and administrative and accounting duties.

A fee is charged to the CPD for all the functions that the Bank carries out for the CPD. The Bank carries out all the CPD functions, as the CPD has no employees of its own.

These performance obligations are satisfied over time. The fees are payable monthly. Revenue is recognised each month.

Sundry income

Sundry income relates to canteen services and commission on the money market internet system. Revenue on sundry income is recognised at a point in time when the performance obligations are satisfied.

1.18.2.2 Non-interest financial instrument revenue

Committed Liquidity Facility fees

Basel III liquidity framework requires banks to adhere to a definite liquidity coverage ratio. The SARB approved the provision of an annual CLF to assist commercial banks in meeting their LCR as there is limited availability of HQLA in South Africa. The facility runs from December to November each year and fees are receivable by the SARB annually at the end of each period.

Commitment fees

A shareholder support transaction was concluded in terms of which the SARB will provide a collateralised loan of up to R4 billion over a period of 4 years to ABL in accordance with section 10(1)(f) of the SARB Act (hereinafter referred to as “the Transaction”) and the other shareholders will subscribe to DMTN in ABL in accordance with the respective pro rata shareholding in ABHL. The SARB will make available R1 billion per year to ABL and will advance the funds to ABL at the same time as the other shareholders subscribe for DMTN notes. The loan is secured by a cession in security of a portion of ABL’s customer loan portfolio, with a collateral cover ratio of 111.00%. The facility remained undrawn as at 31 March 2021.

1.19 DIVIDENDS PAID

In terms of the SARB Act, the SARB is permitted to declare dividends from its accumulated profits. This is capped at a total dividend rate of 10.00% per annum on the paid-up share capital of the SARB.

1.20 RELATED PARTIES

As per *IAS 24 Related Party Disclosures*, the financial statements contain the disclosures necessary to draw attention to the possibility that the Group’s financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

Related parties include, but are not limited to subsidiaries, the associate, members of management who hold positions of responsibility within the Group including those charged with governance in accordance with legislation, and members of management that are responsible for the strategic direction and operational management of the Group and are entrusted with significant authority. Their remuneration may be established by statute or by another body independent of the Group. Their responsibilities may enable them to influence the benefits of office that flow to them, their related parties or parties that they represent on the governing body.

1.21 SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of taxation, from the proceeds.

1.22 KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the Group’s financial statements management applies judgement and makes estimates. Estimates and judgements are reviewed on an on-going basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Other than the items listed below, there were no significant changes to the Group’s estimates and assumptions in the current or prior year.

1.22.1 Fair value of financial instruments

Financial instruments are priced with reference to quoted market prices in an actively traded market.

If the market for a financial asset is not active or an instrument is an unlisted instrument, the fair value is estimated using valuation techniques. These include reference to other instruments that are substantially the same, discounted cash flow analysis and option-pricing models.

When a discounted cash flow analysis is used to determine the value of financial assets, estimated future cash flows are based on management’s best estimates, and the discount rate at the reporting date is a market-related rate for a financial asset with similar terms and conditions.

1. ACCOUNTING POLICIES continued

1.22 KEY ACCOUNTING ESTIMATES AND JUDGEMENTS CONTINUED

1.22.1 Fair value of financial instruments

Where option-pricing models are used, inputs based on observable market indicators at the reporting date are only recognised to the extent that they relate to changes in factors that market participants will consider in setting a price.

1.22.2 Measurement of expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of counterparties defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 29 which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- determining criteria for significant increase in credit risk (SICR);
- choosing appropriate models and assumptions for the measurement of ECL;
- establishing the number and relative weightings of forward looking scenarios for each type of product/market and the associated ECL; and
- establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in note 29.

1.22.3 Fair value of unlisted investments

Judgement is exercised in assessing the fair value of unlisted investments held by the Group. A discounted cash flow analysis is used by the Group to determine the value of its unlisted investments by applying an appropriate discount rate to the best estimate of future cash of the investee. The key assumptions applied in the discounted cash flow valuation method are the equity market risk premium, SA risk free rate and the alpha and beta to determine the overall discount rate. Free cash flows for a period of 3-5 years are provided by the investee and further assessed by management. Detailed information about the estimates made by the Group in the above areas and their sensitivities are set out in note 34.

1.22.4 Post-employment benefits

The cost of the defined-benefit pension plans and other benefit plans and the present value of the benefit obligations are determined using actuarial valuations. An actuarial valuation involves using various assumptions determined by management and reviewed annually by the actuary that may differ from future developments.

These assumptions include:

- discount rates;
- inflation rates;
- rates of compensation increases;
- rates of pension increases;
- medical cost trends; and
- mortality rates.

Statutory actuarial valuations are performed triennially with the 31 March 2018 valuation having found the fund to be in a sound financial position. Interim actuarial valuations are concluded annually (except in years where a statutory valuation is performed), with the 31 March 2021 statutory valuation currently in progress.

1.22.5 Inventory valuations

The group’s currency-producing subsidiaries measure inventory at lower of cost and NRV. The determination of NRV is an entity-specific estimate and requires the use of judgement.

1.22.6 Property, plant and equipment

Judgement is required when determining:

- the costs that are attributable to the asset;
- for assets where valuation is applied, the fair value of the valuable art;
- the appropriate useful life over which the assets should be depreciated or amortised;
- the depreciation method; and
- whether the existing assets are subject to impairment.

1.23 LEASES

A contract is or contains a lease if it conveys the right to control the use of an identified asset for a period of time.

The Group has assessed that through the SARB’s control of the SABN and the Mint, the SARB can direct the production of the banknotes and coin respectively. For this reason a lease arrangement exists between the SARB and its subsidiaries. The contracts are for 12 months, renewable annually. Although permitted under IFRS 16 to exclude leases with a term of 12 months or less, there is a reasonable expectation that the yearly contracts between the SARB and its subsidiaries would be renewed on an annual basis, thereby constituting lease agreements over a period beyond 12 months. Fixed payments on these contracts cannot be determined reliably. The SARB was therefore unable to recognise a right-of-use asset and lease liability from the date of initial application of IFRS 16 to the current year. This will be reconsidered should the lease payments become determinable based on either fixed payments or an index/rate.

2. CASH AND CASH EQUIVALENTS

	GROUP		SARB	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Amortised cost				
Bank and cash balances	**587 811**	12 010 312	**–**	–
Designated at FVPL	**37 812 914**	8 526 284	**–**	–
Fixed deposits	**7 545 385**	8 032 116	**–**	–
Short-term South African money market investments	**30 267 529**	494 168	**–**	–
Total cash and cash equivalents	**38 400 725**	20 536 596	**–**	–

Owing to its role in the creation and withdrawal of money, the SARB has no cash and cash equivalent balances in its statement of financial position.

Cash equivalents comprise short term highly liquid financial instruments with an original maturity of less than three months that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term commitments as reflected above.

Annual interest rates range between 3.30% – 4.40% (2020: 5.20% – 6.71%) on short term deposits with financial institutions and 3.63% - 6.89% (2020: 5.11% -– 8.59%) on short term money market investments.

Cash and cash equivalents exclude local and foreign short-term investments held to implement monetary policy or as part of foreign reserves. These reserves are disclosed in detail in notes 3 and 6.

Maturity structure of financial assets

Within 1 month	**32 875 786**	20 536 596	**–**	–
Between 1 and 3 months	**5 524 939**	–	**–**	–
Total financial assets	**38 400 725**	20 536 596	**–**	–

Included in short-term South African money market investments are repo agreements, the following table presents details thereof:

Fair value of repo agreements	**30 267 529**	494 168	**–**	–
Fair value of collateral received	**30 287 123**	528 477	**–**	–
Fair value of collateral permitted to sell or repledge at the reporting date	**30 287 123**	528 477	**–**	–
Collateral cover	**100.06%**	106.94%	**–**	–
Maturity date	**13 April 2021**	2 April 2020	**–**	–

At the reporting date, there were no collateralised advances. The counterparties are exposed to interest rate risk on the various securities pledged as collateral for the repo agreements. The Group has the ability to sell or repledge these securities in the event of default. When the underlying investments mature, the Group has the obligation to return the collateral.

3. ACCOMMODATION TO BANKS

	GROUP		SARB	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Amortised cost				
Repo agreements	**38 300 000**	101 100 000	**38 300 000**	101 100 000
Standing facility	**6 558 064**	4 957 668	**6 558 064**	4 957 668
Accrued interest	**3 673**	71 788	**3 673**	71 788
Total accommodation to banks	**44 861 737**	106 129 456	**44 861 737**	106 129 456

Accommodation to banks represents the SARB's short-term lending to commercial banks.

Repurchase agreements
The SARB revised its money market liquidity management strategy in the prior year and introduced a 3 month IOSRO of R20.0 billion to provide liquidity in response to the negative impact of COVID-19 on financial markets. The 3 month IOSRO was withdrawn on 9 December 2020, this resulted in a reduction in the targeted repos from R45.0 billion to R30.0 billion (2020: R56.0 billion to R45.0 billion).

Standard repo agreements yield interest at the repo rate[1] of the SARB (2020: repo rate)	**3.50%**	5.25%	**3.50%**	5.25%
90-day repo agreements yield interest at repo plus 0.30%	**3.80%**	5.55%	**3.80%**	5.55%

The following table presents details of collateral received for repo agreements (including accrued interest):

Fair value of collateral received	**39 684 822**	105 300 768	**39 684 822**	105 300 768
Fair value of collateral permitted to sell or repledge at the reporting date	**39 684 822**	105 300 768	**39 684 822**	105 300 768
Collateral cover	**103.61%**	104.08%	**103.61%**	104.08%

The collateral received consists of various SA government bonds and Treasury Bills with maturities ranging from six days to 28 years (2020: eight days to 27 years).

At the reporting date, there were no impairments on the collateral pledged for the repo facility (2020: R207.0 million). In the prior year, the SARB took a decision to temporarily suspend certain counterparty bills as eligible collateral in its repo operations and they remain suspended as at 31 March 2021.

During the year under review, no defaults were experienced (2020: no defaults).

The counterparties are exposed to interest rate risk[2] on the various securities pledged as collateral for the repo agreements.

The SARB has the ability to sell or repledge these securities in the event of default. When the underlying repos are settled, the SARB has the obligation to return the collateral.

Standing facility
The standing facility lending rate, the rate at which the SARB provides liquidity to commercial banks, was adjusted from the repo rate[1] in the prior financial year to the repo rate[1] plus 100 bps.

The standing facility yields interest at the repo rate[1] plus 100bps (2020: repo rate)	**4.50%**	5.25%	**4.50%**	5.25%

The following table presents details of collateral received for the standing facility (including accrued interest):

Fair value of collateral received	**6 558 062**	5 974 825	**6 558 062**	5 974 825
Fair value of collateral permitted to sell or repledge at the reporting date	**6 558 062**	5 974 825	**6 558 062**	5 974 825
Collateral cover	**100.00%**	120.52%	**100.00%**	120.52%

The collateral received consists of various SA government bonds and Treasury Bills with maturities ranging from 14 days to 25 years (2020: 57 days to 26 years).

At the reporting date, none of the collateralised advances were past due or impaired. During the year under review, no defaults were experienced (2020: no defaults).

The counterparties are exposed to interest rate [2] and other risks on the various securities pledged as collateral for the standing facility. The SARB has the ability to sell or repledge these securities in the event of default. When the underlying facility is settled, the SARB has the obligation to return the collateral.

1 The SARB reduced the interest rate by a total of 1.75% to 3.50% (2020: 1.00% to 5.25%) to provide relief given the negative impact of the COVID-19 pandemic on the economy.

2 Refer to note 29 for further disclosure on interest rate risk.

4. INVESTMENTS

	GROUP 2021 R'000	GROUP 2020 R'000	SARB 2021 R'000	SARB 2020 R'000
Designated at FVPL				
Short-term South African money market investments	**290 825**	342 367	**–**	–
Short-term South African fixed deposits	**6 010 618**	7 026 933	**–**	–
Total investments	**6 301 443**	7 369 300	**–**	–
Maturity structure of financial assets				
Within 1 month	**290 825**	99 494	**–**	–
Between 1 and 3 months	**6 010 618**	163 390	**–**	–
Between 3 and 12 months	**–**	7 106 416	**–**	–
Total financial assets	**6 301 443**	7 369 300	**–**	–
For investments that meet the definition of financial assets designated at fair value:				
Maximum exposure to credit risk	**6 301 443**	7 369 300	**–**	–

Short-term South African money market investments comprise of instruments that have an original maturity of more than 91 days or 3 months.

In terms of investment guidelines (IG), approved by the Boards of the respective subsidiaries, all investments are placed with reputable financial institutions. The CPD utilises banking institutions with a minimum credit rating of BBB- by at least two of the agencies: Standard and Poor's, Fitch or Moody's. During the year under review, a counterparty default on its Promissory Notes (PNs) resulted in the recognition of a fair value loss of R243 million (2020: R629 million).

5. OTHER ASSETS

	GROUP		SARB	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Amortised cost				
Financial assets	**1 296 048**	396 096	**1 199 777**	367 923
Loans and advances to staff	**290 726**	296 306	**290 726**	296 306
Other financial assets	**773 801**	99 790	**677 530**	71 617
LGS margin entitlement and credit premium receivable account	**231 521**	–	**231 521**	–
Non-financial assets	**1 997 915**	1 123 413	**1 949 890**	1 073 100
Treasury SDR Expense Account	**1 805 317**	1 011 277	**1 805 317**	1 011 277
Other non financial assets	**192 598**	112 136	**144 573**	61 823
Total other assets	**3 293 963**	1 519 509	**3 149 667**	1 441 023
Maturity structure of financial assets				
Within 1 month	**701 201**	99 790	**677 530**	71 617
Between 1 and 12 months	**363 326**	296 306	**290 726**	296 306
More than 1 year	**231 521**	–	**231 521**	–
Total financial assets	**1 296 048**	396 096	**1 199 777**	367 923

Comparative figures have been amended to disaggregate certain classes of similar items as part of the enhancement to the financial statement disclosure. Loans and advances to staff comprise of vehicle finance, home loans and other advances to staff and yields interest at repo plus 1.00%.

Margin entitlement and Credit premium accounts
In terms of the LGS agreement, participating commercial banks are required to pay certain amounts described below to the margin entitlement and credit premium accounts that are in the name of the SARB for the duration of the facility.

Margin entitlement is calculated as the prime rate that the eligible client pays to the commercial bank minus the agreed rate (repo) payable by commercial banks to SARB minus the cost of capital, statutory costs, and administration fees related to the COVID-19 loan in respect of the COVID-19 loan (for that interest period). 50 basis points thereof is the Credit premium which gets transferred into the credit premium account.

As at 31 March 2021, an amount of R232 million has been recognised with a corresponding provision for credit loss claims in other liabilities (LGS Provision for loss claims, refer to note 18 for more information).

Margin entitlement and credit premium accounts accrue interest at repo and will be used to settle losses incurred by the commercial banks in terms of the LGS. Thereafter, the losses are borne by the commercial banks up to the aggregate amount equal to the commercial banks' risk portion (being 6.00% of the aggregate amount advanced by the SARB against the facility amount). Any losses remaining which have not been settled as aforementioned, shall be guaranteed and be borne by the SARB on the basis that the outstanding balance shall be reduced to equal the amount of such losses.

Treasury SDR Expense Account
This account consists of all interest charged by the IMF on the liability accounts including the IMF loan to government.

Other financial assets consist mainly of trade receivables and receivables related to liquidity management. Other non-financial assets consist mainly of prepaid expenses. Financial assets are neither past due nor impaired.

6. GOLD AND FOREIGN EXCHANGE RESERVES

	Notes	GROUP 2021 R'000	GROUP 2020 R'000	SARB 2021 R'000	SARB 2020 R'000
Designated at FVPL					
Money market instruments and deposits	6.1	**82 488 418**	123 659 544	**82 488 418**	123 659 544
Securities	6.2	**550 530 119**	640 415 939	**550 530 119**	640 415 939
Mandatory at FVPL					
Derivatives	6.3	**169 438**	(459 606)	**169 438**	(459 606)
Measured in terms of the SARB Act					
Gold coin and bullion	6.4	**100 472 034**	115 360 360	**100 472 034**	115 360 360
IMF SDR assets	6.5	**45 277 652**	53 003 575	**45 277 652**	53 003 575
Total gold and foreign exchange reserves		**778 937 661**	931 979 812	**778 937 661**	931 979 812

6.1 MONEY MARKET INSTRUMENTS AND DEPOSITS

	GROUP 2021 R'000	GROUP 2020 R'000	SARB 2021 R'000	SARB 2020 R'000
Cash and money market accounts	**1 970 311**	2 435 322	**1 970 311**	2 435 322
Fixed deposits	**80 518 107**	121 224 222	**80 518 107**	121 224 222
	82 488 418	123 659 544	**82 488 418**	123 659 544

	CURRENT					NON-CURRENT	
Maturity structure	**Redeemable on demand R'000**	**Up to 1 month R'000**	**1 – 3 months R'000**	**4 – 6 months R'000**	**7 – 12 months R'000**	**More than 1 year R'000**	**Total**
Group and SARB 2021							
Cash and money market accounts	**–**	**1 970 311**	**–**	**–**	**–**	**–**	**1 970 311**
Fixed deposits	**–**	**80 518 107**	**–**	**–**	**–**	**–**	**80 518 107**
Total	**–**	**82 488 418**	**–**	**–**	**–**	**–**	**82 488 418**
Group and SARB 2020							
Cash and money market accounts	–	2 435 322	–	–	–	–	2 435 322
Fixed deposits	–	121 216 861	–	–	–	–	121 216 861
Total	–	123 652 184	–	–	–	–	123 652 184

The foreign exchange balances yield investment returns achievable in the various currencies in which they are invested. It is not practicable to calculate effective yields on the portfolios due to the volatility caused by exchange rate fluctuations.

6. GOLD AND FOREIGN EXCHANGE RESERVES continued

6.2 SECURITIES

	GROUP		SARB	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Government bonds	**188 852 626**	212 631 754	**188 852 626**	212 631 754
Government agency, state, supranational bonds	**134 066 778**	231 541 115	**134 066 778**	231 541 115
Financial bonds	**8 106 313**	18 780 638	**8 106 313**	18 780 638
Corporate bonds	**3 436 274**	3 689 225	**3 436 274**	3 689 225
Commercial papers	**1 010 922**	3 515 463	**1 010 922**	3 515 463
Certificate of deposits	**60 443 075**	79 076 691	**60 443 075**	79 076 691
Mutual funds	**453 917**	1 317 806	**453 917**	1 317 806
Mortgage backed securities	**14 199 529**	18 984 842	**14 199 529**	18 984 842
Treasury bills	**139 868 612**	70 722 656	**139 868 612**	70 722 656
Investments	**92 073**	155 749	**92 073**	155 749
Total	**550 530 119**	640 415 939	**550 530 119**	640 415 939

	CURRENT					NON-CURRENT	
Maturity structure	**Redeemable on demand R'000**	**Up to 1 month R'000**	**1 – 3 months R'000**	**4 – 6 months R'000**	**7 – 12 months R'000**	**More than 1 year R'000**	**Total**
Group and SARB 2021							
Financial assets designated at FVPL	**–**	**25 624 361**	**44 203 942**	**113 820 718**	**114 847 266**	**252 033 832**	**550 530 119**
	–	**25 624 361**	**44 203 942**	**113 820 718**	**114 847 266**	**252 033 832**	**550 530 119**
Group and SARB 2020							
Financial assets designated at FVPL	–	34 153 134	66 668 683	104 451 497	132 257 486	302 885 139	640 415 939
	–	34 153 134	66 668 683	104 451 497	132 257 486	302 885 139	640 415 939

6. GOLD AND FOREIGN EXCHANGE RESERVES continued

6.3 DERIVATIVES

The SARB utilises financial derivative products for portfolio management purposes, and seeks to minimise the effects of currency and interest rate risks by using such instruments to economically hedge the related risk exposures. The use of financial derivatives is governed by the SARB's policies approved by the Governors' Executive Committee (GEC), which provides written principles on the use of derivative financial instruments. Compliance with policies and exposure limits is reviewed by management on a continuous basis. Risk management practices also include regular reporting to the Risk Management Committee (RMC) and Board Risk and Ethics Committee (BREC). The SARB does not enter into or trade financial instruments, including derivative financial instruments, for proprietary trading purposes.

	Net fair value R'000	Fair value of assets R'000	Fair value of liabilities R'000	Contract/ notional amount[1] R'000
Group and SARB 2021				
FECs	**140 022**	**151 700**	**(11 678)**	**34 677 000**
Futures contracts	**29 416**	**40 956**	**(11 540)**	**17 800 171**
Interest rate swaps	**–**	**–**	**–**	**–**
Total derivatives	**169 438**	**192 656**	**(23 218)**	**52 477 171**
Group and SARB 2020				
FECs	(427 474)	179 452	(606 926)	142 060 190
Futures contracts	(1 931)	57 888	(59 819)	11 816 758
Interest rate swaps	(30 201)	12 109	(42 310)	6 038 435
Total derivatives	(459 606)	249 449	(709 055)	159 915 383

1 The notional amount of a financial instrument is the nominal or face value that is used to calculate payments made on that instrument. The amount generally does not settle between the counterparties.

6. GOLD AND FOREIGN EXCHANGE RESERVES continued

6.3.1 Offsetting financial assets and financial liabilities relating to gold and foreign exchange reserves

The SARB is subject to an enforceable master netting arrangement with its derivative counterparties. Under the terms of this agreement, offsetting of derivatives is permitted only in the event of bankruptcy or default of either party to the agreement. There is no intention to settle on a net basis or realise the asset and settle the liability simultaneously. The following table presents details of this:

				Related amounts not set off in derivatives		
	Gross amounts presented in derivatives R'000	Offset R'000	Net amounts presented in derivatives R'000	Instruments which offset on default R'000	Collateral amount received R'000	Net amount R'000
Group and SARB 2021						
FEC assets	**151 700**	**–**	**151 700**	**(2 612)**	**–**	**149 088**
Interest rate swap assets	**–**	**–**	**–**	**–**	**–**	**–**
FEC liabilities	**(11 678)**	**–**	**(11 678)**	**2 612**	**–**	**(9 066)**
Interest rate swap liabilities	**–**	**–**	**–**	**–**	**–**	**–**
Group and SARB 2020						
FEC assets	179 452	–	179 452	(156 261)	–	23 191
Interest rate swap assets	12 109	–	12 109	(11 815)	–	294
FEC liabilities	(606 926)	–	(606 926)	156 261	–	(450 665)
Interest rate swap liabilities	(42 310)	–	(42 310)	11 815	–	(30 495)

6.4 GOLD COIN AND BULLION

Group and SARB 2021	R'000	Fine ounces
As at 31 March 2020	**115 360 360**	**4 029 436**
Purchases during the year	**13 822 764**	**158 515**
Sales during the year	**(13 818 600)**	**(158 367)**
Change in the statutory price	**(14 892 490)**	**–**
As at 31 March 2021	**100 472 034**	**4 029 584**

Group and SARB 2020	R'000	Fine ounces
As at 31 March 2019	75 692 246	4 029 116
Purchases during the year	169 046	7 931
Sales during the year	(162 018)	(7 611)
Change in the statutory price	39 661 086	–
As at 31 March 2020	115 360 360	4 029 436

Gold coin and bullion consists of 4 029 584 fine ounces of gold at the statutory price of R24 933.60 per ounce (2020: 4 029 436 fine ounces at R28 629.40 per ounce).

6. GOLD AND FOREIGN EXCHANGE RESERVES continued

6.5 IMF SDR ASSETS

In accordance with the SARB Act, the SARB acts as fiscal agent of the Government in its dealings with International Financial Institutions (IFI), transactions with the IFI and the undertakings of financial agency work for the Government. In compliance with the SARB Act the accounts with the International Monetary Fund (IMF), which records all transactions with the IMF, have been included in these financial statements.

The IMF has created an international reserve asset called the Special Drawing Right (SDR). All rights in, and commitments to the IMF are denominated in SDRs. The value of the SDR is calculated on the basis of a currency basket comprising the US dollar, Euro, Chinese renminbi, Japanese yen and pound sterling. The currency weights are adjusted each year in accordance with changes in bilateral foreign exchange rates. As at 31 March 2021, SDR 1.0 was equal to R20.97 (2020: R24.41).

The various rights are disclosed below:

	GROUP		SARB	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
SDR Holdings[1]	**31 395 004**	36 539 815	**31 395 004**	36 539 815
IMF NAB financial transactions plan account	**203 503**	416 552	**203 503**	416 552
IMF SDR reserve tranche position account	**13 679 145**	16 047 208	**13 679 145**	16 047 208
	45 277 652	53 003 575	**45 277 652**	53 003 575

1 The SDR asset carries interest at an effective rate of 0.08% (2020: 1.15%). SA government promissory notes have been pledged as collateral against these SDRs.

The following table presents details of collateral held:

	GROUP 2021	GROUP 2020	SARB 2021	SARB 2020
Fair value of collateral received	**58 055 708**	46 435 579	**58 055 708**	46 435 579
Collateral cover	**184.92%**	127.08%	**184.92%**	127.08%

At the reporting date, none of the collateralised advances were past due or impaired (2020: none). During the year under review, no defaults were experienced (2020: no defaults).

2 Comparative figures have been amended to disaggregate certain classes of similar instruments as part of the enhancements to the financial statement disclosure.

7. INVENTORIES

	GROUP		SARB	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Raw materials[3]	**441 452**	384 489	**–**	–
Work in progress[4]	**306 462**	356 264	**–**	–
Consumable stores	**70 960**	73 967	**4 239**	4 951
Maintenance spares	**134 997**	120 763	**–**	–
Finished goods[5]	**221 738**	184 043	**–**	–
Total inventories net of write-downs	**1 175 609**	1 119 526	**4 239**	4 951
Write-downs (included above)	**(16 305)**	(14 720)	**–**	–

Inventories are measured at the lower of cost and net realisable value. The cost to produce bank notes and coin is expensed as incurred and disclosed in note 23.3 under cost new of currency.

3 Raw materials consist mainly of substrate, ink, metals and chemicals.
4 Work in progress consists mainly of banknotes and coins partially completed.
5 Finished goods consists mainly of banknotes and coins ready for delivery.

8. FORWARD EXCHANGE CONTRACT ASSETS AND LIABILITIES

	Notes	GROUP 2021 R'000	GROUP 2020 R'000	SARB 2021 R'000	SARB 2020 R'000
Measured in terms of the SARB Act					
Unrealised gains on FECs		**72 082**	1 802 777	**72 082**	1 802 777
Unrealised (losses) on FECs		**(7 896 061)**	(99 308)	**(7 896 061)**	(99 308)
Net unrealised (losses)/gains transferred to GFECRA[1]	21	**(7 823 979)**	1 703 469	**(7 823 979)**	1 703 469

1 These amounts represent unrealised gains and losses on FECs, which will be for the account of SA government as and when they are realised. The FECs are utilised in the operations of the SARB, to manage monetary policy operations.

The notional amount of the FECs amounts to R62.0 billion (2020: R11.3 billion).

The SARB is subject to enforceable master netting arrangements with its derivative counterparties. Under the terms of these agreements, offsetting of derivatives is permitted only in the event of bankruptcy or default of either party to the agreement. There is no intention to settle on a net basis or realise the asset and settle the liability simultaneously. The following table presents details of this:

	Related amounts not set off in the statement of financial position					
	Gross amounts presented R'000	**Offset R'000**	**Net amounts presented R'000**	**Instruments which offset on default R'000**	**Collateral amount received R'000**	**Net amount R'000**
Group and SARB 2021						
FEC assets	**72 082**	**–**	**72 082**	**(32 583)**	**–**	**39 499**
FEC liabilities	**(7 896 061)**	**–**	**(7 896 061)**	**32 583**	**–**	**(7 863 478)**

	Related amounts not set off in the statement of financial position					
	Gross amounts presented R'000	Offset R'000	Net amounts presented R'000	Instruments which offset on default R'000	Collateral amount received R'000	Net amount R'000
Group and SARB 2020						
FEC assets	1 802 777	–	1 802 777	(154 691)	–	1 648 086
FEC liabilities	(99 308)	–	(99 308)	154 691	–	55 383

9. LOANS AND ADVANCES

	GROUP		SARB	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Amortised cost				
Secured foreign loan	**–**	54 197	**–**	54 197
Interest-bearing local loans	**13 726 181**	25 413 861	**13 726 181**	–
Inter-Governmental Cash Co-ordination loan	**–**	25 413 861	**–**	–
LGS loan account	**13 726 181**	–	**13 726 181**	–
Total loans and advances	**13 726 181**	25 468 058	**13 726 181**	54 197

Secured foreign loan

In the prior year, the counterparty promissory notes that had been pledged as collateral against the loan facility were impaired due to the counterparty failing to redeem any of its maturing debt securities, nor honour interest on outstanding debt securities. The borrower was unable to provide replacement collateral, resulting in the utilisation of the facility being temporarily suspended and capped at the outstanding amount whilst in the process of being renegotiated. At reporting date the outstanding loan balance of R42 million was fully impaired.

As part of the debt restructure arrangement by the counterparty, an amount of R4 million in interest on the outstanding promissory notes and R10 million as a partial return of capital from the counterparty on the pledged collateral has been received to date as repayment towards the outstanding loan amount. The counterparty negotiations to restructure its debt are still in progress.

Interest-bearing local loans

Inter-Governmental Cash Co-ordination loans

The loans are advanced as part of the national government's Inter-Governmental Cash Co-ordination (IGCC) arrangement, in terms of which some state-owned entities and treasuries of provincial governments deposit excess funds with the CPD to form a pool of funds from the public sector. The national and the provincial treasuries are allowed to borrow money from the IGCC pool of funds. The SA government guarantees that the deposits will be made available to depositors on demand.

The interest-bearing loans are unsecured, short term in nature and callable on demand. The loans earn interest at a rate equal to the 91-day Treasury Bill yield – the rate at the reporting date was 3.85% (2020: 5.68%).

At the reporting date, the loan was settled and none of the interest-bearing local loans were past due or impaired (2020: none). During the year under review, no defaults were experienced (2020: no defaults).

LGS loan account

The SARB entered into a LGS with participating commercial banks for the purpose of assisting qualifying small and medium-sized businesses severely impacted during the COVID-19 pandemic. Drawdowns by qualifying businesses, under the Scheme, were available for an 11-month period commencing from the effective date (moratorium period) and the outstanding balance at the end of the moratorium period will be repayable over a repayment period of 60 months. A facility of R100.0 billion has been approved, of which R89.6 billion has been allocated to 9 commercial banks. At the reporting date R13.4 billion has been withdrawn by the commercial banks, interest income of R258 million has been capitalised until 31 March 2021. The total outstanding balance including interest is R13.7 billion. The loan facility is guaranteed by the SARB to the extent of the current exposure of R13.4 billion with a potential guarantee limited to R89.6 billion allocated to commercial banks. The moratorium period has been extended by a further 3 months from April 2021 to July 2021 (Refer to note 33 for further details).

The loan accrues interest at the prevailing repo rate, any default interest that accrues as a result of the commercials banks failing to repay the SARB at the interest repayment date will be accounted for at the default interest rate of repo rate plus 200 bps.

10. SOUTH AFRICAN GOVERNMENT BONDS

	GROUP		SARB	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Designated at FVPL				
Listed bonds: Interest-bearing	**37 784 160**	8 736 601	**37 784 160**	8 736 601
Fair value adjustments	**1 482 315**	499 867	**1 482 315**	499 867
Total SA government bonds	**39 266 475**	9 236 468	**39 266 475**	9 236 468
Effective interest rate	**13.96%**	7.75%	**13.96%**	7.75%

As part of the SARB's continuous measures to manage liquidity during the COVID-19 pandemic, R29.1 billion of SA government bonds were purchased from the secondary market during the period under review (2020: R1.4 billion).

11. EQUITY INVESTMENT IN BANK FOR INTERNATIONAL SETTLEMENTS

	GROUP		SARB	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
FVOCI				
Opening balance	**5 635 768**	4 333 257	**5 635 768**	4 333 257
Fair value adjustments	**261 954**	317 758	**261 954**	317 758
Foreign exchange movements transferred to GFECRA	**(845 909)**	984 753	**(845 909)**	984 753
Closing balance	**5 051 813**	5 635 768	**5 051 813**	5 635 768

The carrying amount that would have been recognised had the BIS shares been carried at cost would be R637.9 million (2020: R525.5 million).

The shares held in the BIS are held as part of the SARB's function as a central bank and are thus long-standing in nature. Shares are only transferable with the prior consent of the BIS. The SARB has no intention of selling the shares.

The SARB's investment in the BIS consists of 8 612 shares (2020: 8 612), which are carried at FVOCI. The net asset value was adjusted by 30.00%. The haircut is consistent with the methodology applied by the BIS and other central banks and is not subject to sensitivity. The adjusted net asset value of the shares is based on SDR[1] of SDR 27 979 (2020: SDR 26 811).

Refer to note 31 for further detail on the fair value hierarchy disclosures. Changes in value due to foreign exchange movements are transferred to the GFECRA. For the year ended 31 March 2021, a movement of R845.9 million (2020: R984.8 million) was transferred to the GFECRA.

1 The SDR is a monetary unit of international reserve assets defined and maintained by the International Monetary Fund (IMF). The SDR also serves as the unit of account of the BIS, among other international organisations. The unit does not represent a currency, but represents a potential claim on the currencies of the IMF members for which it may be exchanged. It is based on a basket of international currencies comprising the United States dollar, euro, Japanese yen, pound sterling and Chinese renminbi.

12. PROPERTY, PLANT AND EQUIPMENT

	Land R'000	Buildings R'000	Plant, vehicles, furniture and equipment R'000	Valuable art[1] R'000	Work in progress R'000	Total R'000
12.1 GROUP 2021						
Cost						
Cost at 31 March 2020	38 730	1 078 304	4 641 431	132 825	376 190	6 267 480
Additions	–	863	52 684	81	340 053	393 681
Transfers in/(out)	–	112 925	306 983	2 057	(422 491)	(526)
Revaluation adjustments	–	–	–	9 454	–	9 454
Disposals	(5 442)	(4 261)	(135 050)	–	–	(144 753)
Cost at 31 March 2021	**33 288**	**1 187 831**	**4 866 048**	**144 417**	**293 752**	**6 525 336**
Accumulated depreciation						
Accumulated depreciation at 31 March 2020	–	473 037	2 831 065	–	–	3 304 102
Depreciation charge for the year	–	30 381	314 317	–	–	344 698
Impairment charge/(reversal) for the year	–	(69 379)	–	–	–	(69 379)
Disposals	–	(106)	(136 826)	–	–	(136 932)
Accumulated depreciation at 31 March 2021	**–**	**433 933**	**3 008 556**	**–**	**–**	**3 442 489**
Net book value at 31 March 2021	**33 288**	**753 898**	**1 857 492**	**144 417**	**293 752**	**3 082 847**

REVERSAL OF IMPAIRMENT LOSS

The SARB adopted a new Cash Management Strategy (CMS) in the 2018 financial year. The new CMS changed the SARB's cash operations. The Durban, Cape Town and Johannesburg branches were converted to cash centres, while the Port Elizabeth, East London and Bloemfontein branches have been closed. Owing to the new CMS an impairment loss was recognised on the buildings of the closed branches in 2018. During the current year the buildings' fair value increased, and the buildings were sold at fair value. An impairment loss that had been previously recognised on the buildings was reversed, this has been included in the operating income line item.

REVALUATION OF VALUABLE ART

The revaluation is performed every three years by independent and reliable valuators with the latest valuation performed on 31 March 2018. In the absence of an official fair value assessment by an independent valuator, the insured value will be used as an indicator of fair value. As at 31 March 2021 insurance values were used as the independent valuation is currently being concluded.

12.2 GROUP 2020

	Land R'000	Buildings R'000	Plant, vehicles, furniture and equipment R'000	Valuable art[1] R'000	Work in progress R'000	Total R'000
Cost						
Cost at 31 March 2019	38 730	949 390	4 461 689	136 838	617 912	6 204 559
Additions	–	21 914	42 371	351	185 425	250 061
Transfers in/(out)	–	107 000	314 866	5 281	(427 147)	–
Revaluation adjustments	–	–	–	(9 519)	–	(9 519)
Disposals	–	–	(177 495)	(126)	–	(177 621)
Cost at 31 March 2020	38 730	1 078 304	4 641 431	132 825	376 190	6 267 480
Accumulated depreciation						
Accumulated depreciation at 31 March 2019	–	444 538	2 641 652	–	–	3 086 190
Depreciation charge for the year	–	28 499	347 943	–	–	376 442
Disposals	–	–	(158 530)	–	–	(158 530)
Accumulated depreciation at 31 March 2020	–	473 037	2 831 065	–	–	3 304 102
Net book value at 31 March 2020	38 730	605 267	1 810 366	132 825	376 190	2 963 378

1 The carrying amount that would have been recognised had valuable art been carried at cost would be R32.4 million (2020: R30.3 million).

12. PROPERTY, PLANT AND EQUIPMENT continued

	Land R'000	Buildings R'000	Plant, vehicles, furniture and equipment R'000	Valuable art[1] R'000	Work in progress R'000	Total R'000
12.3 SARB 2021						
Cost						
Cost at 31 March 2020	29 305	753 342	1 854 162	132 825	275 871	3 045 505
Additions	–	412	40 653	81	240 675	281 821
Transfers in/(out)	–	106 788	229 386	2 057	(338 231)	–
Revaluation adjustments	–	–	–	9 454	–	9 454
Disposals	(5 442)	(4 261)	(30 917)	–	–	(40 620)
Cost at 31 March 2021	**23 863**	**856 281**	**2 093 284**	**144 417**	**178 315**	**3 296 160**
Accumulated depreciation						
Accumulated depreciation at 31 March 2020	–	365 345	1 300 785	–	–	1 666 130
Depreciation charge for the year	–	24 023	164 384	–	–	188 407
Impairment charge/(reversal) for the year	–	(69 379)	–	–	–	(69 379)
Disposals	–	(106)	(32 128)	–	–	(32 234)
Accumulated depreciation at 31 March 2021	**–**	**319 883**	**1 433 041**	**–**	**–**	**1 752 924**
Net book value at 31 March 2021	**23 863**	**536 398**	**660 243**	**144 417**	**178 315**	**1 543 236**
12.4 SARB 2020						
Cost						
Cost at 31 March 2019	29 305	634 407	1 763 991	136 838	569 236	3 133 777
Additions	–	20 757	27 180	351	20 519	68 807
Transfers in/(out)	–	98 178	210 425	5 281	(313 884)	–
Revaluation adjustments	–	–	–	(9 519)	–	(9 519)
Disposals	–	–	(147 434)	(126)	–	(147 560)
Cost at 31 March 2020	29 305	753 342	1 854 162	132 825	275 871	3 045 505
Accumulated depreciation						
Accumulated depreciation at 31 March 2019	–	343 105	1 240 369	–	–	1 583 474
Depreciation charge for the year	–	22 240	190 528	–	–	212 768
Disposals	–	–	(130 112)	–	–	(130 112)
Accumulated depreciation at 31 March 2020	–	365 345	1 300 785	–	–	1 666 130
Net book value at 31 March 2020	29 305	387 997	553 377	132 825	275 871	1 379 375

1 The carrying amount that would have been recognised had valuable art been carried at cost would be R32.4 million (2020: R30.3 million).

13. INTANGIBLE ASSETS

	Purchased computer software R'000	Internally generated computer software R'000	Work in progress R'000	Total R'000
13.1 GROUP 2021				
Cost				
Cost at 31 March 2020	802 089	417 995	460 220	1 680 304
Additions	3 459	–	295 631	299 090
Transfers in/(out)	211 022	–	(210 496)	526
Disposals	(12 439)	–	–	(12 439)
Cost at 31 March 2021	1 004 131	417 995	545 355	1 967 481
Accumulated amortisation				
Accumulated amortisation at 31 March 2020	552 157	156 935	–	709 092
Amortisation charge for the year	102 934	44 056	–	146 990
Disposals	(12 209)	–	–	(12 209)
Accumulated amortisation at 31 March 2021	642 882	200 991	–	843 873
Net book value at 31 March 2021	361 249	217 004	545 355	1 123 608
13.2 GROUP 2020				
Cost				
Cost at 31 March 2019	1 055 357	–	179 011	1 234 368
Additions	3 707	–	443 885	447 592
Transfers in/(out)	(255 434)	417 995	(162 561)	–
Disposals	(1 541)	–	(115)	(1 656)
Cost at 31 March 2020	802 089	417 995	460 220	1 680 304
Accumulated amortisation				
Accumulated amortisation at 31 March 2019	603 497	–	–	603 497
Amortisation charge for the year	107 015	–	–	107 015
Transfers in/(out)	(156 935)	156 935	–	–
Disposals	(1 420)	–	–	(1 420)
Accumulated amortisation at 31 March 2020	552 157	156 935	–	709 092
Net book value at 31 March 2020	249 932	261 060	460 220	971 212

13. INTANGIBLE ASSETS continued

	Purchased computer software R'000	Internally generated computer software R'000	Work in progress R'000	Total R'000
13.3 SARB 2021				
Cost				
Cost at 31 March 2020	671 882	417 995	457 218	1 547 095
Additions	2 714	–	288 370	291 084
Transfers in/(out)	209 448	–	(209 448)	–
Disposals	(297)	–	–	(297)
Cost at 31 March 2021	883 747	417 995	536 140	1 837 882
Accumulated amortisation				
Accumulated amortisation at 31 March 2020	459 919	156 935	–	616 854
Amortisation charge for the year	90 302	44 056	–	134 358
Disposals	(105)	–	–	(105)
Accumulated amortisation at 31 March 2021	550 116	200 991	–	751 107
Net book value at 31 March 2021	333 631	217 004	536 140	1 086 775
13.4 SARB 2020				
Cost				
Cost at 31 March 2019	946 084	–	162 419	1 108 503
Additions	3 345	–	436 788	440 133
Transfers in/(out)	(276 006)	417 995	(141 989)	–
Disposals	(1 541)	–	–	(1 541)
Cost at 31 March 2020	671 882	417 995	457 218	1 547 095
Accumulated amortisation				
Accumulated amortisation at 31 March 2019	524 965	–	–	524 965
Amortisation charge for the year	93 309	–	–	93 309
Transfers in/(out)	(156 935)	156 935	–	–
Disposals	(1 420)	–	–	(1 420)
Accumulated amortisation at 31 March 2020	459 919	156 935	–	616 854
Net book value at 31 March 2020	211 963	261 060	457 218	930 241

14. DEFERRED TAXATION

		GROUP		SARB	
	Notes	**2021 R'000**	2020 R'000	**2021 R'000**	2020 R'000
Balance at the beginning of the year		**(523 692)**	(17 816)	**(368 209)**	97 100
Movements during the year:					
Current year timing differences	24	**(120 613)**	(1 800)	**(84 812)**	29 573
Prior year adjustments	24	**530**	(264 206)	**–**	(264 601)
Other comprehensive income		**17 186**	(239 870)	**15 039**	(230 281)
Balance at the end of the year		**(626 589)**	(523 692)	**(437 982)**	(368 209)
Comprising:					
Deferred taxation assets		**–**	–	**–**	–
Deferred taxation liabilities		**(626 589)**	(523 692)	**(437 982)**	(368 209)
Net deferred taxation liability		**(626 589)**	(523 692)	**(437 982)**	(368 209)

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2021

14. DEFERRED TAXATION continued

Deferred taxation assets and liabilities are attributed as set out below:

	2019 R'000	Amounts charged to profit or loss R'000	Amounts charged to OCI R'000	2020 R'000	**Amounts charged to profit or loss R'000**	**Amounts charged to OCI R'000**	**2021 R'000**
14.1 GROUP							
Post-employment benefits	758 867	60 602	(170 824)	648 645	**50 365**	**78 014**	**777 024**
Prepaid expenditure and other items	14 458	5 844	–	20 302	**(26 267)**	**–**	**(5 965)**
Revaluation adjustments	(25 098)	–	2 132	(22 966)	**–**	**(2 150)**	**(25 116)**
Property, plant and equipment	(349 945)	(129 302)	–	(479 248)	**(403)**	**–**	**(479 651)**
Intangible assets	(29 499)	(102 210)	–	(131 709)	**(7 725)**	**–**	**(139 434)**
Employee benefits accrual	69 220	(5 076)	–	64 144	**10 987**	**–**	**75 131**
Revenue received in advance	170 498	(40 145)	–	130 353	**(98 502)**	**–**	**31 851**
Fair value adjustments on BIS shares	(735 716)	–	(71 178)	(806 894)	**–**	**(58 678)**	**(865 572)**
Taxation loss	109 399	(55 718)	–	53 681	**(48 538)**	**–**	**5 143**
Total	(17 816)	(266 005)	(239 870)	(523 692)	**(120 083)**	**17 186**	**(626 589)**
14.2 SARB							
Post-employment benefits	701 603	56 580	(161 235)	596 948	**46 680**	**75 867**	**719 495**
Prepaid expenditure and other items	1 791	(113)	–	1 678	**(26 310)**	**–**	**(24 632)**
Revaluation adjustments	(25 098)	–	2 132	(22 966)	**–**	**(2 150)**	**(25 116)**
Property, plant and equipment	(42 303)	(142 225)	–	(184 528)	**(3 755)**	**–**	**(188 283)**
Intangible assets	(26 417)	(102 564)	–	(128 981)	**(9 708)**	**–**	**(138 689)**
Employee benefits accrual	52 742	(6 561)	–	46 181	**6 783**	**–**	**52 964**
Revenue received in advance	170 498	(40 145)	–	130 353	**(98 502)**	**–**	**31 851**
Fair value adjustments on BIS shares	(735 716)	–	(71 178)	(806 894)	**–**	**(58 678)**	**(865 572)**
Total	97 100	(235 028)	(230 281)	(368 209)	**(84 812)**	**15 039**	**(437 982)**

15. NOTES AND COIN IN CIRCULATION

	GROUP		SARB	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Amortised cost				
Notes	**161 514 013**	149 079 280	**161 514 013**	149 079 280
Coin	**6 824 952**	6 464 959	**6 824 952**	6 464 959
Total notes and coin in circulation	**168 338 965**	155 544 239	**168 338 965**	155 544 239

The liability for notes and coin issued is the net liability after offsetting notes and coin held by the SARB and not yet issued into circulation as cash held by the central bank does not represent currency in circulation.

16. DEPOSIT ACCOUNTS

	GROUP		SARB	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Amortised cost				
Non-interest-bearing	**170 401 427**	194 299 959	**170 328 842**	194 227 374
Banks' reserve accounts	**122 688 715**	138 362 154	**122 688 715**	138 362 154
SA government accounts	**44 950 153**	53 094 253	**44 877 568**	53 021 668
Other current accounts	**2 762 559**	2 843 552	**2 762 559**	2 843 552
Interest-bearing	**133 869 063**	152 327 324	**52 579 917**	80 552 324
SARB Debentures Repo	**2 000 192**	–	**2 000 192**	–
Reverse repurchase agreements	**1 000 671**	–	**1 000 671**	–
SA government special deposit	**41 157 404**	67 157 404	**41 157 404**	67 157 404
Banks' current accounts	**8 421 650**	13 288 765	**8 421 650**	13 288 765
Call deposits	**81 289 146**	71 775 000	**–**	–
Margin call	**–**	106 155	**–**	106 155
Total deposit accounts	**304 270 490**	346 627 283	**222 908 759**	274 779 698
Maturity structure of deposit accounts				
On demand	**129 001 858**	127 818 960	**47 640 127**	55 971 375
Subject to negotiation with the SA government	**41 157 404**	67 157 404	**41 157 404**	67 157 404
Within 1 month	**134 111 228**	151 650 919	**134 111 228**	151 650 919
	304 270 490	346 627 283	**222 908 759**	274 779 698

Banks' reserve accounts

Commercial banks are required to maintain a minimum cash reserves balance with the SARB into which they are able to deposit at least such amounts as may be necessary to comply with the SARB Act. The banks' reserve accounts do not accrue interest. In addition, the commercial banks can utilise the cash reserve accounts to either fund short positions or deposit surplus funds. As at year-end, the balance was below the required minimum reserve balance by an amount of R1.4 billion (2020: R2.7 billion). The commercial banks concerned are afforded an opportunity, subject to conditions as the Governor may determine, to comply with the relevant provision within a specified period.

SA government special deposit

SA government's special deposit bears interest at a rate equivalent to the return earned on foreign exchange investments made by the SARB. The interest accrued on the deposit was settled during the year under review. The SA government made a withdrawal of R26 billion on its special deposit account (2020: Rnil).

Call deposits

In terms of the current interest rate policies as approved by the CPD Board, call deposits earn interest at a rate of ten basis points less than the 91-day Treasury Bills yield. Included in these call deposits is the Electronic Trading Platform which earns interest at a rate of 15 basis points less than the repo rate (2020: repo less 15 basis points). The prevailing rates at year-end were 3.75% (2020: 5.58%) and 3.25% (2020: 5.00%) respectively.

17. FOREIGN DEPOSITS

	GROUP		SARB	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Designated at FVPL				
Foreign deposits	**93 284 583**	148 198 491	**93 284 583**	148 198 491

Foreign deposits are placed by customers at market related rates. Refer to note 29 for further detail on the analyses of the currency composition and maturity structure of these foreign deposits.

18. OTHER LIABILITIES

	GROUP		SARB	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Amortised cost				
Financial liabilities	**2 931 168**	3 346 576	**1 180 092**	2 673 226
Accruals	**369 396**	327 584	**235 260**	198 970
Accounts payable	**426 368**	435 611	**142 535**	161 306
Other financial liabilities	**1 903 883**	2 583 381	**570 776**	2 312 950
LGS provision for loss claims	**231 521**	–	**231 521**	–
Non-financial liabilities	**1 903 773**	1 141 043	**1 877 340**	1 085 934
Treasury SDR revenue account	**1 877 310**	1 084 983	**1 877 310**	1 084 983
Other non-financial liabilities	**26 463**	56 060	**30**	951
Total other liabilities	**4 834 941**	4 487 619	**3 057 432**	3 759 160
Maturity structure of financial liabilities				
Within 1 month	**2 182 097**	3 056 613	**948 571**	2 673 226
Between 1 and 12 months	**517 550**	289 963	**–**	–
More than 1 year	**231 521**	–	**231 521**	–
Total financial liabilities	**2 931 168**	3 346 576	**1 180 092**	2 673 226

LGS provision for loss claims represents the provision raised on the total of margin entitlement and credit premium that the SARB will be able to utilise to settle any losses incurred by commercial banks on the LGS (for further information refer to note 5 & 9).

Other financial liabilities consist mainly of sundry creditors and CLF fees received in advance.

Treasury SDR Revenue Account

This account consists of the interest income from the SDR holdings account that flow into this account as well as the replenishments of the interest charged on the IMF loan by the SA government.

Comparative figures have been amended to disaggregate certain class of similar items as part of the enhancement to the financial statement disclosure.

19. SOUTH AFRICAN RESERVE BANK DEBENTURES

	GROUP		SARB	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Amortised cost				
Capital	14 995 000	–	14 995 000	–
Accrued interest	15 035	–	15 035	–
Total SARB debentures	15 010 035	–	15 010 035	–

The debentures are issued to the market on tender normally on a 7-, 14-, 28- or 56-day term. At the reporting date, SARB had outstanding unsecured SARB debentures of R15.0 billion (2020: Rnil).

Details on the debentures in issue at 31 March 2021 are as follows:

Maturity date	Interest rate %	Capital
Wednesday, 07 April 2021	3.80%	2 025 000
Wednesday, 07 April 2021	3.61%	2 965 000
Wednesday, 07 April 2021	3.47%	50 000
Wednesday, 14 April 2021	3.79%	3 035 000
Wednesday, 14 April 2021	3.65%	500 000
Wednesday, 21 April 2021	3.79%	1 035 000
Wednesday, 28 April 2021	3.80%	2 385 000
Wednesday, 05 May 2021	3.85%	500 000
Wednesday, 12 May 2021	3.83%	500 000
Wednesday, 26 May 2021	3.84%	2 000 000
		14 995 000

20. POST-EMPLOYMENT BENEFITS

The SARB and SABN provide the following post-employment benefits to its employees:

	Notes	GROUP 2021 R'000	GROUP 2020 R'000	SARB 2021 R'000	SARB 2020 R'000
Amounts recognised in the statement of financial position					
Post-employment medical benefits	20.1	**2 565 925**	2 269 102	**2 366 898**	2 089 699
Post-employment group life benefits	20.2	**59 381**	47 484	**52 948**	42 258
Post-employment retirement fund benefits	20.3	**149 777**	–	**149 777**	–
Total post-employment benefits		**2 775 083**	2 316 586	**2 569 623**	2 131 957
Maturity structure of post-employment benefits					
Within 12 months		**316 668**	288 061	**305 708**	277 382
More than 12 months		**2 458 415**	2 028 525	**2 263 915**	1 854 575
Total post-employment benefits		**2 775 083**	2 316 586	**2 569 623**	2 131 957

20.1 POST-EMPLOYMENT MEDICAL BENEFITS

Post-employment medical benefits are provided to retired staff in the form of subsidised medical aid premiums. This benefit has been closed to all new employees at the SARB since 1 September 2011 and SABN since 2003. A provision for the liability has been raised; this covers the total liability, that is, the accumulated post-employment medical benefit liability at 31 March 2021.

	Notes	GROUP 2021 R'000	GROUP 2020 R'000	SARB 2021 R'000	SARB 2020 R'000
Balance at the beginning of the year		**2 269 102**	2 408 213	**2 089 699**	2 209 904
Movement during the year:					
Amount recognised in profit or loss	23.3	**302 392**	293 581	**279 344**	270 391
Interest cost		**261 431**	241 973	**240 781**	222 026
Service cost		**40 961**	51 608	**38 563**	48 365
Cash movements					
Benefits paid		**(125 865)**	(117 934)	**(115 586)**	(108 630)
Amount recognised in OCI		**120 296**	(314 758)	**113 441**	(281 966)
Financial assumption gain		**320 185**	(517 627)	**301 897**	(480 153)
Experience (gain)/loss on liabilities		**(199 889)**	202 869	**(188 456)**	198 187
Balance at the end of the year		**2 565 925**	2 269 102	**2 366 898**	2 089 699

20.2 POST-EMPLOYMENT GROUP LIFE BENEFITS

Post-employment group life benefits are provided to retired staff in the form of subsidised group life premiums. This benefit has been closed to all new employees at the SARB since 1 September 2017 and SABN since 1 October 2017. This covers the total liability, that is, the accumulated post-employment group life benefit liability at 31 March 2021.

	Notes	GROUP 2021 R'000	GROUP 2020 R'000	SARB 2021 R'000	SARB 2020 R'000
Balance at the beginning of the year		**47 484**	54 163	**42 258**	47 960
Movement during the year:					
Amount recognised in profit or loss	23.3	**6 990**	7 555	**6 199**	6 674
Interest cost		**5 407**	5 404	**4 811**	4 786
Service cost		**1 583**	2 151	**1 388**	1 888
Cash movements					
Benefits paid		**(3 728)**	(3 388)	**(3 328)**	(2 985)
Amount recognised in OCI		**8 635**	(10 846)	**7 819**	(9 391)
Financial assumption gain		**4 519**	(8 766)	**3 818**	(7 769)
Experience loss/(gain) on liabilities		**4 116**	(2 080)	**4 001**	(1 622)
Balance at the end of the year		**59 381**	47 484	**52 948**	42 258

20. POST-EMPLOYMENT BENEFITS continued

20.3 POST-EMPLOYMENT RETIREMENT FUND BENEFITS

The Group has made provision for pension and provident plans substantially covering all employees. All employees are members of the retirement fund administered by the Group or are members of funds within the various industries in which they are employed. The assets of these plans are held in administered trust funds separate from the Group's assets and the funds are governed by the Pension Funds Act 24 of 1956.

Statutory actuarial valuations are performed triennially with the 31 March 2018 valuation having found the fund to be in a sound financial position. Interim actuarial valuations are concluded annually (except in years where a statutory valuation is performed), with the 31 March 2021 statutory valuation currently in progress. Where a surplus in the fund is calculated, it is for the benefit of the members, and accordingly no asset is recognised in the financial statements of the SARB. The retirement fund is regulated by the Financial Sector Conduct Authority and is a single scheme which caters for active members, pensioners on a living annuity, pensioners on a life annuity, and pensioners from the former defined benefit fund.

Active members participate on a defined contribution basis. The market risk lies fully with the active members until retirement. On retirement, former employees can commute up to one-third of their share of funds. They may use the remaining funds to buy either a living annuity or a life annuity (or a combination of both) from the fund. They may also choose to transfer their share of funds to another registered retirement annuity. The value of assets under management for active members as at 31 March 2021 was R5.1 billion (2020: R4.1 billion).

Living annuity pensioners bear the entire market risk on their funds; however, they also fully benefit from positive market returns.

The life pension quoted by the retirement fund is based on the amount of capital available to the employee, as well as marital status, gender and age. There are currently 1 013 life pensioners. Once quoted a life pension, the rules of the fund stipulate that it will not be reduced, and thus, although the pensioner bears the market risk with regard to the annual increase granted, the employer will contribute if there is a shortage in the pension account which supports maintaining pensions at their existing level. This is in effect the only uncovered 'defined benefit' element in the fund. The risk for the retirement fund, and ultimately the SARB, in meeting this defined benefit, is market risk and life expectancy. As the SARB is the sponsor of the fund, the full defined benefit liability resides with the SARB. An *IAS 19 Employee Benefits (IAS 19)* valuation of this defined benefit at 31 March 2021 was performed by an independent actuary, the result of which can be summarised as follows:

	Notes	Present value of obligation R'000	Fair value of plan assets R'000	Unrecognised due to paragraph 65 limit R'000	Total R'000
Group and SARB 2021					
Balance at the beginning of the year		1 864 243	(1 922 508)	58 265	–
Movement during the year:					
Amount recognised in profit or loss	23.3	212 481	(218 961)	6 642	162
Service cost		81	–	–	81
Interest cost/(income)		212 324	(218 961)	6 642	5
Past service cost		76	–	–	76
Cash movements		(3 664)	3 588	–	(76)
Benefits paid/(received)		(3 664)	3 664	–	–
Employer contributions received		–	(76)	–	(76)
Amount recognised in OCI		413 625	(199 027)	(64 907)	149 691
Financial assumption (gain)/loss		402 994	(199 027)	(64 907)	139 060
Experience gain on liabilities		10 631	–	–	10 631
Balance at the end of the year		2 486 685	(2 336 908)	–	149 777

20. POST-EMPLOYMENT BENEFITS continued

20.3 POST-EMPLOYMENT RETIREMENT FUND BENEFITS *CONTINUED*

	Notes	Present value of obligation R'000	Fair value of plan assets R'000	Unrecognised due to paragraph 65 limit R'000	Total R'000
Group and SARB 2020					
Balance at the beginning of the year		2 176 044	(1 928 184)	–	247 860
Movement during the year:					
Amount recognised in profit or loss	23.3	227 382	(187 892)	–	39 490
Service cost		11 598	–	–	11 598
Interest cost/(income)		212 921	(187 892)	–	25 029
Past service cost		2 863	–	–	2 863
Cash movements		14 839	(17 702)	–	(2 863)
Benefits paid/(received)		14 839	(14 839)	–	–
Employer contributions received		–	(2 863)	–	(2 863)
Amount recognised in OCI		(554 022)	211 270	58 265	(284 487)
Financial assumption (gain)/loss		(552 342)	211 270	58 265	(282 807)
Experience gain on liabilities		(1 680)	–	–	(1 680)
Balance at the end of the year		1 864 243	(1 922 508)	58 265	–

Management does not use the *IAS 19* valuation in order to assess the health of the fund, nor as a base to inform management decisions with regard to the fund. Management utilises the interim and statutory actuarial valuations for such purposes due to the fact that these actuarial valuations recognise that the pensioner bears the market risk of future pension increases and the discount rate applied reflects the risk profile of the assets in which the fund is invested.

The assets and liabilities of the defined benefit fund, which has been closed to new members since 1 July 1995, were transferred to the retirement fund on 31 March 2011. At present, 183 pensioners qualify for the defined benefits. The benefits provided are based on the individual's years of membership and salary levels. These benefits were provided from contributions made by employees and the employer, and income derived from assets of the plan. The actuarial risk in respect of current pension commitments has mainly been transferred to Sanlam, which has a credit rating of AA (Standard and Poor's). No further financial disclosures are deemed necessary in respect of the defined benefit, as required by *IAS 19*. The actuarial liability as at 31 March 2021 amounted to R121 million, while the plan assets towards this liability amounted to R138 million.

Since inception in 1995, there has not been a shortage in the pension account for any given year. The most recent statutory valuation at 31 March 2018 found the fund to be fully funded, with the actuarial liability of pensions to be R2.4 billion with plan assets of R2.4 billion. The trustees of the retirement fund and the management of the SARB do not foresee a statutory liability for the SARB in terms of these pensioners.

The plan assets were invested in the following different asset classes as at 31 March 2021 per the interim valuation.

Local equities	31.42%
Local property	2.20%
Local fixed interest	21.34%
Cash	8.14%
Foreign investments	22.87%
Other	14.03%
	100.00%

20. POST-EMPLOYMENT BENEFITS continued

20.4 KEY ASSUMPTIONS[1]

	Post-employment benefits	
	2021	2020
Discount rate (Post-employment group life and medical benefits)	**11.05%**	11.85%
Discount rate (Post-employment retirement fund benefits)	**10.70%**	11.40%
Medical inflation (Post-employment medical benefits)	**7.50%**	7.50%
Medical inflation (Post-employment group life benefits)	**7.00%**	7.00%
Net discount rate (Post-employment medical benefits)	**3.30%**	4.04%
Net discount rate (Post-employment group life benefits)	**3.80%**	4.54%
Salary inflation (Post-employment retirement fund benefits)	**7.00%**	6.60%
Salary inflation (Post-employment group life benefits)	**7.00%**	7.00%
Premium rate	**0.50%**	0.50%
Inflation rate	**6.00%**	6.00%
Early retirement rates		
55	**2.50%**	2.50%
56	**2.50%**	2.50%
57	**2.50%**	2.50%
58	**2.50%**	2.50%
59	**2.50%**	2.50%
Normal retirement age	**60**	60
Pensioner mortality rates		
Active members	**SA 85-90 Light**	SA 85-90 Light
Pensioners	**PA (90) rated down by 2 years with 0.75% p.a. improvement**	PA (90) rated down by 2 years with 0.75% p.a. improvement
Pension increase rate (Post-employment retirement fund benefits)		
Category 1 and ex-pension	**6.00%**	5.60%
Category 2	**4.50%**	4.20%
Category 3	**2.70%**	2.52%
Valuation date	**31 March 2021**	31 March 2020

1 The key assumptions of the Group and the SARB are the same.

Notes to the consolidated and separate financial statements continued
for the year ended 31 March 2021

20. POST-EMPLOYMENT BENEFITS continued

20.5 SENSITIVITY ANALYSIS

	GROUP		SARB	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
The effect of a 1% increase and decrease in the discount rate is as follows:				
Employers' accrued liability				
1% decrease	**3 764 974**	2 895 971	**3 532 095**	2 687 863
Valuation basis	**2 775 083**	2 316 586	**2 569 623**	2 131 957
1% increase	**2 074 269**	1 853 873	**1 891 217**	1 688 568
Employers' service and interest cost				
1% decrease	**666 373**	560 287	**640 093**	535 241
Valuation basis[1]	**585 967**	512 963	**560 959**	489 124
1% increase	**530 622**	495 164	**506 730**	472 380
The effect of a 1% increase and decrease in the medical inflation rate is as follows:				
Employers' accrued liability				
1% decrease	**2 467 482**	1 997 517	**2 284 197**	1 832 174
Valuation basis	**2 775 083**	2 316 586	**2 569 623**	2 131 957
1% increase	**3 155 825**	2 576 895	**2 923 560**	2 369 093
Employers' service and interest cost				
1% decrease	**546 329**	474 952	**524 182**	453 764
Valuation basis[1]	**585 967**	512 963	**560 959**	489 124
1% increase	**635 321**	559 769	**606 841**	532 732
The effect of a one year increase and decrease in the post-retirement mortality rate is as follows:				
Employers' accrued liability				
1 year downward	**2 930 601**	2 347 572	**2 719 723**	2 158 466
Valuation basis	**2 775 083**	2 316 586	**2 569 623**	2 131 957
1 year upward	**2 617 025**	2 167 769	**2 417 022**	1 987 659
Employers' service and interest cost				
1 year downward	**605 130**	524 258	**579 459**	499 835
Valuation basis[1]	**585 967**	512 963	**560 959**	489 124
1 year upward	**563 380**	501 504	**539 042**	478 255
The effect of a 1% increase and decrease in the salary inflation rate is as follows:				
Employers' accrued liability				
1% decrease	**2 769 839**	2 256 679	**2 564 635**	2 072 250
Valuation basis	**2 775 083**	2 316 586	**2 569 623**	2 131 957
1% increase	**2 780 878**	2 260 159	**2 575 133**	2 075 305
Employers' service and interest cost				
1% decrease	**583 383**	512 609	**558 426**	488 812
Valuation basis[1]	**585 967**	512 963	**560 959**	489 124
1% increase	**585 579**	513 367	**560 516**	489 481
The effect of a one year increase and decrease in the base pension increase rate is as follows:				
Employers' accrued liability				
1 year downward	**2 375 495**	2 087 170	**2 170 035**	1 902 541
Valuation basis	**2 775 083**	2 316 586	**2 569 623**	2 131 957
1 year upward	**3 346 787**	2 618 348	**3 141 327**	2 433 719
Employers' service and interest cost				
1 year downward	**528 341**	493 494	**503 333**	469 655
Valuation basis[1]	**585 967**	512 963	**560 959**	489 124
1 year upward	**671 369**	565 979	**646 361**	542 140

1 Forecast service and interest costs for the year ending 2022.

21. GOLD AND FOREIGN EXCHANGE CONTINGENCY RESERVE ACCOUNT

	Notes	GROUP 2021 R'000	GROUP 2020 R'000	SARB 2021 R'000	SARB 2020 R'000
Measured in terms of the SARB Act					
Opening balance		**436 062 044**	285 829 289	**436 062 044**	285 829 289
(Loss)/profit on gold price adjustment account		**(14 894 338)**	39 658 966	**(14 894 338)**	39 658 966
Profit/(loss) on FEC adjustment account		**22 437 286**	(33 478 372)	**22 437 286**	(33 478 372)
(Loss)/profit on foreign exchange adjustment account		**(118 604 003)**	142 316 096	**(118 604 003)**	142 316 096
Movement in unrealised gains on FECs		**(9 527 447)**	1 604 942	**(9 527 447)**	1 604 942
		315 473 542	435 930 921	**315 473 542**	435 930 921
Payments from the SA government		**110 718**	131 123	**110 718**	131 123
Closing balance		**315 584 260**	436 062 044	**315 584 260**	436 062 044
Balance composition					
Balance currently due to SA government		**323 408 239**	434 358 575	**323 408 239**	434 358 575
Unrealised (losses)/gains on FECs	8	**(7 823 979)**	1 703 469	**(7 823 979)**	1 703 469
		315 584 260	436 062 044	**315 584 260**	436 062 044

The GFECRA, which is operated in terms of section 28 of the SARB Act, represents net revaluation profits and losses incurred on gold and foreign exchange transactions, which are for the account of the SA government. Settlement of this account is subject to agreement, from time to time, between the SARB and SA government and consists mainly of the exchange margin. During the reporting year under review, a net amount of R110.7 million was settled by SA government (2020: R131.1 million).

22. SHARE CAPITAL

	GROUP 2021 R'000	GROUP 2020 R'000	SARB 2021 R'000	SARB 2020 R'000
Authorised and issued				
2 000 000 shares (2020: 2 000 000 shares) of R1 each	**2 000**	2 000	**2 000**	2 000

These shares qualify for a maximum dividend of 10 cents per share per annum.

23. PROFIT BEFORE TAXATION

	Notes	GROUP 2021 R'000	GROUP 2020 R'000	SARB 2021 R'000	SARB 2020 R'000
23.1 TOTAL INCOME INCLUDES:					
Income from investments		**(252 576)**	(589 399)	**(158)**	41 226
Dividends received		**–**	41 226	**–**	41 226
Fair value adjustments on investments		**(252 576)**	(630 625)	**(158)**	–
Income from subsidiaries and associate	34.5	**–**	–	**6 844**	1 406 941
Dividends received		**–**	–	**(200)**	1 400 200
Interest		**–**	–	**1 629**	1 171
Management fees		**–**	–	**5 215**	5 570
Commission on banking services		**840 195**	1 144 105	**840 195**	1 144 105

Realised and unrealised profits/(losses) on the SARB's investments are included in interest income in terms of the SARB's accounting policies.

		GROUP 2021 R'000	GROUP 2020 R'000	SARB 2021 R'000	SARB 2020 R'000
23.2 IMPAIRMENT LOSS:					
Credit impairment (reversal)/loss		**(1 506 608)**	2 315 341	**41 595**	–

23. PROFIT BEFORE TAXATION continued

23.3 OPERATING COSTS INCLUDE:

	Notes	GROUP 2021 R'000	GROUP 2020 R'000	SARB 2021 R'000	SARB 2020 R'000
Directors' remuneration[1]	34.6	**32 080**	46 998	**31 522**	46 441
For services as non-executive directors		**6 624**	5 831	**6 066**	5 274
For services as executive directors		**25 456**	41 167	**25 456**	41 167
Depreciation, amortisation and impairment	12 & 13	**422 309**	483 457	**253 386**	306 077
Buildings		**30 381**	28 499	**24 023**	22 240
Plant, vehicles, furniture and equipment		**314 317**	347 943	**164 384**	190 528
Impairment reversal on buildings		**(69 379)**	–	**(69 379)**	–
Computer software		**146 990**	107 015	**134 358**	93 309
Net loss on disposal of plant, vehicles, furniture and equipment		**8 204**	15 517	**8 733**	15 671
Write-down of inventories	7	**16 305**	14 720	**–**	–
Auditors' remuneration		**33 306**	25 093	**26 862**	19 281
Audit fees		**23 926**	17 475	**17 660**	12 133
Fees for other services		**9 380**	7 618	**9 202**	7 148
Consulting fees		**205 293**	154 302	**193 846**	146 901
IT infrastructure		**300 244**	183 761	**277 395**	176 219
Retirement benefit costs		**717 768**	730 621	**632 605**	646 543
Contributions to funds – Normal		**265 270**	252 139	**230 955**	218 619
Contributions to funds – Additional		**132**	3 445	**132**	3 445
Provision for post-employment medical benefits	20.1	**302 392**	293 581	**279 344**	270 391
Provision for post-employment group life benefits	20.2	**6 990**	7 555	**6 199**	6 674
Provision for post-employment retirement fund benefits	20.3	**162**	39 490	**162**	39 490
Premiums paid – Medical aid		**136 493**	128 387	**112 721**	105 081
Premiums paid – Group life		**6 329**	6 024	**3 092**	2 843
Remuneration and recurring staff costs		**2 482 462**	2 375 457	**1 957 932**	1 868 565
Cost of sales		**4 244 938**	2 199 786	**–**	–
Cost of new currency		**926 999**	426 937	**2 694 374**	2 142 777
Other operating costs[2]		**1 221 706**	1 223 653	**694 468**	676 398

1 An amount of fringe benefit payout for DG A D Mminele and DG F E Groepe was paid in the 2020 financial year but only confirmed after year end and could not be reported in the prior year.

2 Other operating costs comprise mainly business systems and technology costs, repairs and maintenance, building maintenance costs, travel and accommodation, and training expenses.

24. TAXATION

	Notes	GROUP 2021 R'000	GROUP 2020 R'000	SARB 2021 R'000	SARB 2020 R'000
South African normal taxation					
Current taxation		**(782 979)**	(3 311 475)	**(606 609)**	(2 680 190)
Deferred taxation					
Current year timing differences	14	**(120 613)**	(1 800)	**(84 812)**	29 573
Adjustment in respect of prior years	14	**530**	(264 206)	**–**	(264 601)
Total taxation		**(903 062)**	(3 577 481)	**(691 421)**	(2 915 218)
Reconciliation of taxation rate					
South African normal taxation rate		**28.00%**	28.00%	**28.00%**	28.00%
Adjusted for:					
Disallowable expenses		**0.62%**	35.94%	**1.20%**	16.98%
Donations		**0.47%**	0.22%	**0.93%**	0.30%
Impairment of investment in associate		**0.00%**	17.45%	**0.00%**	16.48%
Credit impairment loss		**0.27%**	18.12%	**0.54%**	0.00%
Expenses of a capital nature		**(0.12%)**	0.15%	**(0.27%)**	0.20%
Exempt income and special deductions		**(9.26%)**	(11.06%)	**(0.02%)**	(15.19%)
Dividends		**0.00%**	(11.05%)	**(0.00%)**	(15.18%)
Special allowances		**(9.26%)**	(0.01%)	**(0.02%)**	(0.01%)
Prior years		**(0.01%)**	(2.34%)	**0.00%**	1.55%
Effective taxation rate		**19.35%**	50.54%	**29.18%**	31.34%
Taxation paid					
Opening balance – taxation payable		**(1 013 747)**	(124 303)	**(994 754)**	(107 919)
Taxation for the year		**(782 979)**	(3 311 475)	**(606 609)**	(2 680 190)
Interest accrued		**6**	32	**–**	–
Closing balance – taxation payable[1]		**(684 175)**	1 013 747	**(693 631)**	994 754
Taxation paid[2]		**(2 480 895)**	(2 421 999)	**(2 294 994)**	(1 793 355)

1 Consists of taxation receivable of R693.6 million (2020: R0.3 million) and taxation payable of R9.5 million (2020: R1.0 billion).

2 Consists of taxation received of R694 million (2020: R1.1 million) and taxation paid of R3.2 billion (2020: R2.4 billion).

25. DIVIDENDS PAID

	GROUP 2021 R'000	GROUP 2020 R'000	SARB 2021 R'000	SARB 2020 R'000
Dividends were paid as follows:				
Final dividend of 5 cents per share for the 2021 financial year	**100**	100	**100**	100
Interim dividend of 5 cents per share for the 2021 financial year	**100**	100	**100**	100
Total dividends paid	**200**	200	**200**	200

These shares qualify for a maximum dividend of 10 cents per share per annum in terms of the SARB Act.

26. CASH GENERATED FROM/(UTILISED BY) OPERATING ACTIVITIES

		GROUP		SARB	
	Notes	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Reconciliation of profit before taxation to cash generated from operating activities					
Profit before taxation for the year		**4 667 209**	7 078 186	**2 369 175**	9 299 755
Adjustments for:					
Interest revenue		**(4 901 911)**	(7 859 107)	**(2 133 864)**	(3 720 604)
Interest expense		**5 623 029**	10 108 491	**2 918 514**	5 367 919
Depreciation, amortisation and impairment	12 & 13	**422 309**	483 457	**253 386**	306 077
Net loss on disposal of fixed assets	23.3	**8 204**	15 517	**8 733**	15 671
Profit from associate	34.3	**(118 525)**	(280 463)	**–**	–
Impairment loss on investment in associate		**118 525**	2 229 832	**–**	1 533 000
Credit impairment (reversal)/loss		**(1 506 608)**	2 315 341	**41 595**	–
Write off in sundry expenses		**3 764**	–	**3 764**	–
Unrealised foreign exchange (gain)/loss		**(2 513)**	6 345	**–**	–
Fair value adjustments on investments	23.1	**252 576**	630 625	**158**	–
Post-employment benefits		**179 875**	216 441	**166 715**	202 077
Coupon interest accrued		**(380 505)**	107 853	**(380 505)**	107 853
Interest accrued on accommodation to banks		**(3 673)**	(71 788)	**(3 673)**	(71 788)
Interest accrued on taxation		**(6)**	(32)	**–**	–
Net cash generated from operating activities		**4 361 750**	14 980 698	**3 243 998**	13 039 960
Changes in working capital					
Amounts due by Group companies		**–**	–	**66**	20 778
Accommodation to banks		**61 199 604**	(44 662 162)	**61 199 604**	(44 662 162)
Other assets		**(1 774 454)**	4 410	**(1 708 644)**	(174 196)
Gold and foreign exchange reserves		**153 042 151**	(216 579 061)	**153 042 152**	(216 579 061)
Inventories		**(56 083)**	133 213	**712**	364
Loans and advances		**13 248 485**	(10 150 657)	**(13 713 579)**	2 779
South African government bonds		**(29 649 502)**	–	**(29 649 502)**	–
Equity investment in Bank for International Settlements		**845 909**	(984 753)	**845 909**	(984 753)
Notes and coin in circulation		**12 794 726**	4 237 287	**12 794 726**	4 237 287
Deposit accounts		**(42 356 793)**	59 586 186	**(51 870 939)**	58 200 779
Amounts due to Group companies		**–**	–	**21 031 932**	16 449 020
Other liabilities		**341 934**	184 961	**(709 630)**	361 945
Foreign deposits		**(54 913 908)**	25 639 854	**(54 913 908)**	25 639 854
SARB debentures		**15 010 035**	(25 023)	**15 010 035**	(25 023)
Gold and Foreign Exchange Contingency Reserve Account		**(110 950 336)**	148 627 811	**(110 950 336)**	148 627 811
Cash generated from/(utilised by) changes in working capital		**16 781 767**	(33 987 934)	**408 596**	(8 884 578)
Cash generated from/(utilised by) operating activities		**21 143 517**	(19 007 236)	**3 652 594**	4 155 382

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2021

27. CAPITAL COMMITMENTS

	GROUP		SARB	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Capital expenditure contracted for at the end of the reporting period but not yet incurred	**552 128**	440 747	**418 286**	354 087
Buildings	**690**	18 355	**–**	13 659
Plant, vehicles, furniture and equipment	**255 625**	152 856	**129 874**	72 200
Intangible assets	**295 813**	269 536	**288 412**	268 228
Capital expenditure approved but not yet contracted for at the end of the reporting period	**1 218 086**	1 046 587	**848 372**	585 886
Buildings	**118 345**	103 488	**–**	1 895
Plant, vehicles, furniture and equipment	**504 995**	328 245	**270 724**	17 537
Intangible assets	**594 746**	614 854	**577 648**	566 454
Total capital commitments	**1 770 214**	1 487 334	**1 266 658**	939 973

These capital commitments will be funded from internal resources.

28. EVENTS AFTER THE REPORTING DATE

CPD GUARANTEE

The GEC approved an extension to the R3.5 billion financial guarantee issued by the SARB to the CPD for a further 12 months to 11 June 2022 as a result of the continued technical insolvency position of the CPD.

SOUTH AFRICAN MINT DIVIDEND

The South African Mint board declared a dividend of R450 million to the SARB on 21 May 2021.

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS

Introduction

The SARB is a risk-averse institution. Owing to the unique role and functions of the SARB, risk management is not solely based on risk and return considerations but also takes into account public interest in line with the statutory and constitutional responsibility of the SARB.

The SARB holds and manages the official reserves of the Republic of South Africa in accordance with its role as a central bank and the SARB Act. The SARB is also responsible for achieving and maintaining price stability in the interest of sustainable and balanced economic development and growth through monetary policy.

The Financial Markets Department (FMD) of the SARB is responsible for the implementation of monetary policy and the management of the reserves.

Reserves management

Reserves play a key role in ensuring that the country will be able to:

- cover its external operational needs;
- service the country's foreign exchange liabilities;
- cover any foreign currency net imbalances in the balance of payments; and
- maintain confidence in the country's monetary and exchange rate policies.

Framework

The risk tolerance of the SARB, as far as reserves management operations are concerned, is specified and implemented through the Investment Policy (IP) the Strategic Asset Allocation (SAA), the active risk budget and the IG. The IP provides a strategic framework that guides FMD and the Reserves Management Committee (Resmanco) in their respective roles in the reserves management process. The IP specifies, among other things, the aggregate tolerance parameters of the SARB and the eligible asset classes, which are implemented through the SAA.

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS continued

Framework continued

The SAA determines the optimal asset allocation, while recognising the risk tolerance and liquidity constraints of the SARB. It sets the tranche sizes, currency composition, appropriate asset classes and calculates the expected risk and return over the relevant time horizon. These parameters are specified at tranche level. Hence, each tranche has its own asset mix aimed at achieving the investment objectives of the tranche. The investment objectives in order of priority are:

- capital preservation;
- liquidity; and
- achieving reasonable returns.

Governance

The SARB has a three-tier governance structure where the responsibilities for executive authority, strategic management and the actual portfolio management are clearly segregated. This comprises of the GEC, Resmanco and FMD. The GEC is responsible for decision making around the overall risk tolerance of the organisation, the IP and the SAA of reserves. The Resmanco is the investment committee which functions within the parameters defined by the GEC, and is responsible for decision making around IG, the allocation of the active risk budget to individual portfolios and the appointment or removal of external fund managers and custodians.

Risk reporting is a formalised and clearly defined process within the SARB. A monthly risk report is compiled and distributed to senior management of the SARB, (e.g. Deputy Governor, CIA and Group CFO). A quarterly risk management report, which focuses on the management of risks relating to foreign exchange reserves, is distributed to the Resmanco and the GEC. Moreover, a quarterly financial risk report is compiled and distributed to members of the SARB's RMC and the BREC. The objective of these risk reports is to inform management of financial risk to which the SARB may be exposed, the possible impact on the key functions of the SARB, and how such risks are managed. The report, furthermore, highlights future risks that might adversely impact on the activities of the SARB. In line with international best practice, key risk types discussed in these reports are market, credit and operational risk in relation to market, monetary policy implementation and reserves management operations.

Risk governance policies and procedures are performed by Heads of Departments, managing directors of the subsidiaries, and the Risk Management and Compliance Department with oversight by the RMC and BREC. Certain aspects of risk management specific to financial instruments are described below.

Daily operations

Reserves management activities are performed by FMD. These activities are in line with principles of sound internal governance which include that of portfolio management, performance measurement, risk control and compliance, accounting and settlement.

Statement of financial position impact

Key statement of financial position balances related to reserves management include:
Note 6 – Gold and foreign exchange reserves;
Note 11 – Equity investment in BIS; and
Note 21 – GFECRA.

Monetary policy

The task of implementing monetary policy decisions is undertaken through a range of refinancing operations conducted with commercial banks as counterparties and which are executed at or with a spread to the repo (policy) rate. In addition to the refinancing operations, FMD also conducts a range of open market operations to influence the liquidity in the money market. Market operations are undertaken in both the domestic and foreign exchange markets. The open market operations include the issuance of SARB debentures, reverse repos, the movement of public sector funds between the market and the SARB and the conducting of money market swaps in the foreign exchange market.

In addition to the main repo facility, the SARB offers a range of end-of-day facilities for commercial banks to square-off the daily positions on their settlement accounts, e.g. access to their cash reserve balances held with the SARB, supplementary repos/reverse repos conducted at the repo rate and an automated standing facility whereby the end-of-day balances on the banks' settlement accounts are automatically settled at a rate of 100 basis points below or above the policy rate.

Framework

The framework for domestic market operations is specified in the Operational Notice.

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS continued

Governance

The SARB has full operational autonomy. Monetary policy is set by the SARB's MPC, which conducts monetary policy within a flexible inflation-targeting framework. This committee consists of seven members of the SARB: the Governor, three deputy governors and three senior officials of the SARB.

Daily operations

The Domestic Market Operations Section (within FMD) is responsible for the conducting of all domestic market operations associated with the SARB's responsibility for monetary policy implementation. These operations entail all the liquidity providing and liquidity draining operations conducted with banking counterparties.

Statement of financial position impact

Key statement of financial position balances related to monetary policy implementation include:
Note 3 – Accommodation to banks and standing facilities;
Reverse repo agreements (no balances in the current or prior year)
Note 8 – FEC assets and liabilities;
Note 15 – Notes and coin in circulation;
Note 16 – Banks' reserve and current accounts;
Note 16 – SA government special deposit;
Note 17 – Foreign deposits; and
Note 19 – SARB debentures.

29.1 MARKET RISK

Market risk monitoring is conducted at all levels (e.g. Portfolio and Tranche level) with constant tracking of the risk metrics such as duration, 'Value at Risk' and 'Tracking Error'. Portfolio holdings data is consolidated and stress testing and scenario analysis are conducted in the portfolios to ensure that risk exposures remain within the approved risk tolerance levels should extreme market movements occur. In the event that the risk metrics deviate significantly from the approved levels, recommendations to review or amend the necessary allocations may be escalated to Resmanco. Market risk is reported on a daily, monthly and quarterly basis.

29.1.1 Interest rate risk

With the exception of SA government bonds and amounts due by/to related parties, the rand-denominated financial assets and liabilities of the SARB respectively earn and bear interest at rates linked to South African money market rates. The level of these rates is closely linked to the SARB's repo rate, which is set by the MPC. The repricing of these assets and liabilities, therefore, occurs at approximately the same time as changes to the repo rate are announced by the MPC.

The SARB is exposed to interest rate risk in respect of its foreign investments. The risk tolerance and return expectations in respect of these financial instruments are embodied in the SAA, which is approved by the GEC. The risk budget is approved by the GEC.

29.1.2 Price risk

Assets used as collateral (refer to note 3) are subject to a daily mark-to-market valuation. In order to protect the SARB against credit and market risk, participants in the repo agreement transactions have to provide securities representing market values in excess of the exposures ('haircut valuations'). The 'haircut' is the extent to which the collateral must exceed the value of the underlying loan (e.g. 102.00%). The excess collateral value is to protect against the risk embedded in the assets used as collateral. Treasury Bills and SARB debentures are valued at the most recent auction's discount rates.

29.1.3 Currency risk

29.1.3.1 Foreign exchange operations

The framework of control regarding market operations in foreign exchange, that is, in spot and forward foreign exchange transactions, is rigorous. Trading limits exist for these instruments and compliance is monitored and reported daily. Foreign exchange risk is managed by approving certain currencies for the foreign exchange reserve portfolios to diversify this risk. The gains and losses resulting from active risk positions are recorded in the SARB's statement of comprehensive income. Gains and losses arising from movements in the exchange rate of the rand are recorded in the GFECRA in the SARB's statement of financial position. The SARB's exposure to currency risk from holding reserves is thus limited by the fact that, in terms of the SARB Act, all profits or losses on gold, foreign exchange adjustments on assets and liabilities, and on any current or future FEC shall be for the account of the SA government.

29.1.3.2 Concentration risk

Concentration risk is the risk of significant exposure to a single counterparty or geographic region. Concentration risk is calculated on the basis of a percentage of the exposure to the counterparty of the SARB as a percentage of total exposures to all counterparties. This is actively monitored by the Risk Management Unit (within FMD). The concentration risk can be analysed as follows:

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS continued

29.1 MARKET RISK CONTINUED

29.1.3 Currency risk continued

29.1.3.2 Concentration risk continued

	South African rand		Gold		United States dollar		Euro		Pound sterling		Chinese Yen		Other		Total	
	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%
GROUP 2021																
Financial assets																
Amortised cost																
Cash and cash equivalents	556 232	94.6	–	0.0	30 466	5.2	1 113	0.2	–	0.0	–	0.0	–	0.0	587 811	100.0
Accommodation to banks	44 861 737	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	44 861 737	100.0
Other financial assets	1 262 708	97.4	–	0.0	29 218	2.3	4 122	0.3	–	0.0	–	0.0	–	0.0	1 296 048	100.0
Loans and advances	13 726 181	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	13 726 181	100.0
FVPL																
Cash and cash equivalents	37 812 914	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	37 812 914	100.0
Investments	6 301 443	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	6 301 443	100.0
SA government bonds	39 266 475	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	39 266 475	100.0
FVOCI																
Equity investment in BIS	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	5 051 813	100.0	5 051 813	100.0
SARB Act																
Gold and foreign exchange reserves	–	0.0	100 472 034	12.9	440 373 445	56.5	52 731 609	6.8	54 720 919	7.0	55 221 723	7.1	75 417 931	9.7	778 937 661	100.0
FEC assets	–	0.0	–	0.0	72 082	100.0	–	0.0	–	0.0	–	0.0	–	0.0	72 082	100.0
Total financial assets	143 787 690	15.5	100 472 034	10.8	440 505 211	47.5	52 736 844	5.7	54 720 919	5.9	55 221 723	6.0	80 469 744	8.7	927 914 165	100.0
Unrecognised financial assets																
Guarantees	16 468 402	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	16 468 402	100.0
Total unrecognised financial assets	16 468 402	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	16 468 402	100.0
Financial liabilities																
Amortised cost																
Notes and coin in circulation	168 338 965	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	168 338 965	100.0
Deposit accounts	304 270 490	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	304 270 490	100.0
Other financial liabilities	2 606 367	88.9	–	0.0	252 673	8.7	72 038	2.8	90	0.0	–	0.0	–	0.0	2 931 168	100.0
SARB debentures	15 010 035	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	15 010 035	100.0
FVPL																
Foreign deposits	–	0.0	–	0.0	73 509 657	78.8	5 873 504	6.3	–	0.0	7 160 235	7.7	6 741 187	7.2	93 284 583	100.0
SARB Act																
FEC liabilities	–	0.0	–	0.0	7 896 061	100.0	–	0.0	–	0.0	–	0.0	–	0.0	7 896 061	100.0
GFECRA	315 584 260	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	315 584 260	100.0
Total financial liabilities	805 810 117	88.8	–	0.0	81 658 391	9.0	5 945 542	0.7	90	0.0	7 160 235	0.8	6 741 187	0.7	907 315 562	100.0
Unrecognised financial liabilities																
CLF	26 150 000	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	26 150 000	100.0
Guarantees	16 468 402	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	16 468 402	100.0
Total unrecognised financial liabilities (1)	42 618 402	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	42 618 402	100.0

1 The financial guarantee liabilities includes a guarantee that the SARB has provided to the commercial banks in respect of the COVID-19 LGS to the extent of the current exposure of R13.4 billion with a potential guarantee limited to the allocated R89.6 billion. In terms of the memorandum of understanding between SARB and the National Treasury, the SARB's obligations are covered by a full back-to-back guarantee from the National Treasury. The total guarantee is limited to a facility of R100 billion.

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS continued

29.1 MARKET RISK CONTINUED

29.1.3 Currency risk continued

29.1.3.2 Concentration risk continued

	South African rand		Gold		United States dollar		Euro		Pound sterling		Chinese Yen		Other		Total	
	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%
GROUP 2020																
Financial assets																
Amortised cost																
Cash and cash equivalents	11 902 962	99.1	–	0.0	99 898	0.8	7 452	0.1	–	0.0	–	0.0	–	0.0	12 010 312	100.0
Accommodation to banks	106 129 456	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	106 129 456	100.0
Other financial assets	372 330	94.0	–	0.0	20 662	5.2	3 104	0.8	–	0.0	–	0.0	–	0.0	396 096	100.0
Loans and advances	25 468 058	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	25 468 058	100.0
FVPL																
Cash and cash equivalents	8 526 284	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	8 526 284	100.0
Investments	7 369 300	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	7 369 300	100.0
SA government bonds	9 236 468	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	9 236 468	100.0
FVOCI																
Equity investment in BIS	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	5 635 768	100.0	5 635 768	100.0
SARB Act																
Gold and foreign exchange reserves	–	0.0	115 360 360	12.4	548 178 692	58.8	59 656 172	6.4	62 258 530	6.7	61 087 321	6.6	85 438 737	9.2	931 979 812	100.0
FEC assets	–	0.0	–	0.0	1 802 777	100.0	–	0.0	–	0.0	–	0.0	–	0.0	1 802 777	100.0
Total financial assets	169 004 858	15.5	115 360 360	10.4	550 102 029	49.5	59 666 728	5.4	62 258 530	5.6	61 087 321	5.5	91 074 505	8.2	1 108 554 331	100.0
Unrecognised financial assets																
Guarantees	3 000 000	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	3 000 000	100.0
Total unrecognised financial assets	3 000 000	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	3 000 000	100.0
Financial liabilities																
Amortised cost																
Notes and coin in circulation	155 544 239	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	155 544 239	100.0
Deposit accounts	346 627 283	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	346 627 283	100.0
Other financial liabilities	2 954 538	88.3	–	0.0	300 013	9.0	91 960	2.7	65	0.0	–	0.0	–	0.0	3 346 576	100.0
FVPL																
Foreign deposits	–	0.0	–	0.0	126 456 422	85.3	6 657 308	4.5	–	0.0	7 923 627	5.3	7 161 134	4.8	148 198 491	100.0
SARB Act																
FEC liabilities	–	0.0	–	0.0	99 308	100.0	–	0.0	–	0.0	–	0.0	–	0.0	99 308	100.0
GFECRA	436 062 044	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	436 062 044	100.0
Total financial liabilities	941 188 104	86.4	–	0.0	126 855 743	11.6	6 749 268	0.6	65	0.0	7 923 627	0.7	7 161 134	0.7	1 089 877 941	100.0
Unrecognised financial liabilities																
CLF	139 982 000	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	139 982 000	100.0
Guarantees	3 000 000	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	3 000 000	100.0
Total unrecognised financial liabilities	142 982 000	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	142 982 000	100.0

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS continued

29.1 MARKET RISK CONTINUED

29.1.3 Currency risk continued

29.1.3.2 Concentration risk continued

	South African rand		Gold		United States dollar		Euro		Pound sterling		Chinese Yen		Other		Total	
	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%
SARB 2021																
Financial assets																
Amortised cost																
Amounts due by Group companies	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0
Accommodation to banks	44 861 737	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	44 861 737	100.0
Other financial assets	1 199 777	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	1 199 777	100.0
Loans and advances	13 726 181	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	13 726 181	100.0
FVPL																
SA government bonds	39 266 475	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	39 266 475	100.0
FVOCI																
Equity investment in BIS	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	5 051 813	100.0	5 051 813	100.0
SARB Act																
Gold and foreign exchange reserves	–	0.0	100 472 034	12.9	440 373 445	56.5	52 731 609	6.8	54 720 919	7.0	55 221 723	7.1	75 417 931	9.7	778 937 661	100.0
FEC assets	–	0.0	–	0.0	72 082	100.0	–	0.0	–	0.0	–	0.0	–	0.0	72 082	100.0
Total financial assets	99 054 170	11.2	100 472 034	11.3	440 445 527	49.9	52 731 609	6.0	54 720 919	6.2	55 221 723	6.3	80 469 744	9.1	883 115 726	100.0
Unrecognised financial assets																
Guarantees	16 468 402	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	16 468 402	100.0
Total unrecognised financial assets	16 468 402	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	16 468 402	100.0
Financial liabilities																
Amortised cost																
Notes and coin in circulation	168 338 965	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	168 338 965	100.0
Deposit accounts	222 908 759	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	222 908 759	100.0
Amounts due to Group companies	38 352 704	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	38 352 704	100.0
Other financial liabilities	1 180 092	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	1 180 092	100.0
SARB debentures	15 010 035	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	15 010 035	100.0
FVPL																
Foreign deposits	–	0.0	–	0.0	73 509 657	78.8	5 873 504	6.3	–	0.0	7 160 235	7.7	6 741 187	7.2	93 284 583	100.0
SARB Act																
FEC liabilities	–	0.0	–	0.0	7 896 061	100.0	–	0.0	–	0.0	–	0.0	–	0.0	7 896 061	100.0
GFECRA	315 584 260	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	315 584 260	100.0
Total financial liabilities	761 374 815	88.3	–	0.0	81 405 718	9.4	5 873 504	0.7	–	0.0	7 160 235	0.8	6 741 187	0.8	862 555 459	100.0
Unrecognised financial liabilities																
CLF	26 150 000	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	26 150 000	100.0
Guarantees	19 968 402	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	19 968 402	100.0
Total unrecognised financial liabilities [1]	46 118 402	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	46 118 402	100.0

1 The financial guarantee liabilities includes a guarantee that the SARB has provided to the commercial banks in respect of the COVID-19 LGS to the extent of the current exposure of R13.4 billion with a potential guarantee limited to the allocated R89.6 billion. In terms of the memorandum of understanding between SARB and the National Treasury, the SARB's obligations are covered by a full back-to-back guarantee from the National Treasury. The total guarantee is limited to a facility of R100 billion.

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS continued

29.1 MARKET RISK CONTINUED

29.1.3 Currency risk continued

29.1.3.2 Concentration risk continued

	South African rand		Gold		United States dollar		Euro		Pound sterling		Chinese Yen		Other		Total	
	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%
SARB 2020																
Financial assets																
Amortised cost																
Amounts due by Group companies	66	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	66	100.0
Accommodation to banks	106 129 456	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	106 129 456	100.0
Other financial assets	367 923	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	367 923	100.0
Loans and advances	54 197	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	54 197	100.0
FVPL																
SA government bonds	9 236 468	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	9 236 468	100.0
FVOCI																
Equity investment in BIS	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	5 635 768	100.0	5 635 768	100.0
SARB Act																
Gold and foreign exchange reserves	–	0.0	115 360 360	12.4	548 178 692	58.8	59 656 172	6.4	62 258 530	6.7	61 087 321	6.6	85 438 737	9.2	931 979 812	100.0
FEC assets	–	0.0	–	0.0	1 802 777	100.0	–	0.0	–	0.0	–	0.0	–	0.0	1 802 777	100.0
Total financial assets	115 788 110	11.0	115 360 360	10.9	549 981 469	52.1	59 656 172	5.7	62 258 530	5.9	61 087 321	5.8	91 074 504	8.6	1 055 206 467	100.0
Unrecognised financial assets																
Guarantees	3 000 000	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	3 000 000	100.0
Total unrecognised financial assets	3 000 000	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	3 000 000	100.0
Financial liabilities																
Amortised cost																
Notes and coin in circulation	155 544 239	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	155 544 239	100.0
Deposit accounts	274 779 698	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	274 779 698	100.0
Amounts due to Group companies	17 320 772	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	17 320 772	100.0
Other financial liabilities	2 673 226	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	2 673 226	100.0
FVPL																
Foreign deposits	–	0.0	–	0.0	126 456 422	85.3	6 657 308	4.5	–	0.0	7 923 627	5.3	7 161 134	4.8	148 198 491	100.0
SARB Act																
FEC liabilities	–	0.0	–	0.0	99 308	100.0	–	0.0	–	0.0	–	0.0	–	0.0	99 308	100.0
GFECRA	436 062 044	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	436 062 044	100.0
Total financial liabilities	886 379 979	85.7	–	0.0	126 555 730	12.2	6 657 308	0.6	–	0.0	7 923 627	0.8	7 161 134	0.7	1 034 677 778	100.0
Unrecognised financial liabilities																
CLF	139 982 000	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	139 982 000	100.0
Guarantees	3 000 000	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	3 000 000	100.0
Total unrecognised financial liabilities	142 982 000	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	142 982 000	100.0

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS continued

29.2 CREDIT RISK

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligations. Credit risk arises from activities of the Group such as cash and cash equivalents, accommodation to banks, loans and advances, loan commitments arising from such lending activities, other financial assets such as trade receivables but can also arise from credit enhancement provided, such as financial guarantees. The Group is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities including non-equity trading portfolio assets and derivatives as well as settlement balances with market counterparties and reverse repo agreements.

A prudent approach to credit risk management is adopted through limiting investment activities to high credit quality assets and counterparties by setting minimum credit rating requirements and requesting appropriate collateral. Credit risk is largely managed by specifying concentration, asset class and counterparty limits and holdings per credit rating category in the IG. The SARB mitigates concentration risk through diversification and investing in accordance with the prescriptions of the IG. This excludes government owned entities and guaranteed securities of highly rated countries. Exposure to these entities are usually unlimited as credit risk is perceived to be minimal. Furthermore, minimum collateral requirements and netting-off arrangements with certain counterparties and securities lending agents are in place, usually through Master International Swaps and Derivatives Association agreements. In addition, the use of exchange traded derivatives, legally segregated custodial and securities lending accounts and indemnity arrangements further mitigate counterparty pre-settlement, settlement and replacement risks. Credit risk is reported on a daily, monthly and quarterly basis.

Credit risk exposure monitoring is conducted at all levels (e.g. Portfolio and Tranche level). Portfolio holdings data is consolidated and exposure concentration is monitored at counterparty, asset class and rating category levels. Through constant monitoring of market information, together with in depth financial statement analysis of counterparties, where necessary, the appropriate recommendations to review or amend credit and concentration limits are escalated to Resmanco and the GEC.

29.2.1 Credit risk measurement

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations. The Group measures credit risk using PD, EAD and LGD for financial assets classified at amortised cost. This is similar to the approach used for the purposes of measuring ECL under *IFRS 9*. Refer to note 29.2.2 for more details.

The Group uses external credit risk gradings that reflect its assessment of the PD of individual counterparties. The Group uses rating models tailored to the various categories of counterparty. Borrower and loan specific information collected at the time of application (such as level of collateral) is fed into this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers. In addition, the models enable judgement to be fed into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model. The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade. For example, this means that the difference in the PD between an A and A- rating grade is lower than the difference in the PD between a B and B- rating grade.

The following are additional considerations for each type of portfolio held by the Group:

- For debt securities in accommodation to banks, short-term deposits and loans and advances, external rating agency credit grades are used. These published grades are continuously monitored and updated. The PDs associated with each grade are determined based on realised default rates over the prior 12 months, as published by the rating agency.
- The Group's rating method comprises 25 rating levels for instruments not in default (1 to 25) and five default classes (26 to 30). The master scale assigns each rating category a specified range of probabilities of default, which is stable over time. The rating methods are subject to an annual validation and recalibration so that they reflect the latest projections in the light of actually observed defaults.

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS continued

29.2 CREDIT RISK CONTINUED

The instruments relating to the foreign reserves are summarised below:

	GROUP		SARB	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
AAA	**200 737 075**	236 248 283	**200 737 075**	236 248 283
AA	**85 859 058**	107 618 483	**85 859 058**	107 618 483
A	**65 285 783**	136 790 567	**65 285 783**	136 790 567
A-1	**331 635 524**	341 597 887	**331 635 524**	341 597 887
Total foreign financial assets	**683 517 440**	822 255 220	**683 517 440**	822 255 220

29.2.2 ECL measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition. The Group applies the same model for all financial assets and is summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'stage 1' and has its credit risk continuously monitored by the Group.
- If a SICR since initial recognition is identified, the financial instrument is moved to 'stage 2' but is not yet deemed to be credit-impaired. Please refer to note 29.2.2.1 for a description of how the Group determines when a SICR has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'stage 3'. Please refer to note 29.2.2.2 for a description of how the Group defines credit-impaired and default.
- Financial instruments in stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that result from default events possible within the next 12 months. Financial instruments in stages 2 or 3 have their ECL measured on a lifetime basis. Please refer to note 29.2.2.3 for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with *IFRS 9* is that it should consider forward-looking information. Note 29.2.2.4 includes an explanation of how the Group has incorporated this in its ECL models.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (stage 3).

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard are discussed below:

29.2.2.1 Significant increase in credit risk

The Group considers a financial instrument to have experienced a SICR when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria:

The SARB uses credit ratings in order to determine the SICR. The movement of an asset's credit rating to the next lower rating of the credit rating scale is defined as a 1 notch rating movement (i.e. moving from A+ to A). The SICR for the SARB is defined as a rating change of more than 2 notches as this change is guaranteed to move the asset to the next rating category or risk profile. Therefore a 3 notch rating movement will always guarantee a movement of a financial asset to the next rating category (i.e. (i) upper medium grade to lower medium grade, (ii) non-investment grade to highly speculative grade, (iii) substantial risks to extremely speculative) which according to the rating scale is of lower credit worthiness and this is applicable in all grades of the credit rating scale. The short-term nature of exposures makes it unlikely that credit risk will move significantly. This is, however, reviewed frequently.

SICR is considered before contractual payments are more than 30 days past due, and thus the rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due does not apply. When the borrower is more than 30 days past due on its contractual payments, it is considered credit-impaired.

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS continued

29.2 CREDIT RISK CONTINUED

29.2.2 ECL measurement continued

29.2.2.1 Significant increase in credit risk continued

Qualitative criteria:

If the borrower is on the watch list and/or the instrument meets one or more of the following criteria:

- Negative outlook by two or more rating agencies in the past six months.
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates.
- Actual or expected forbearance or restructuring.
- Actual or expected significant adverse change in operating results of the borrower.
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default.
- Early signs of cash flow/liquidity problems such as delay in servicing of trade creditors/loans.

The Group has not used the low credit risk exemption for any financial instruments in the year ended 31 March 2021 (2020: none).

The CPD had no significant increase in credit risk for its financial instruments following the significant increase in credit risk in the prior year. The CPD did not use the low credit risk exemption for any financial instruments in the year ended 31 March 2021 (2020: none).

29.2.2.2 Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, when it meets one or more of the following criteria:

Quantitative criteria:

The borrower is more than 30 days past due on its contractual payments.

Qualitative criteria:

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance.
- The borrower is in breach of financial covenant(s) if applicable.
- It is becoming probable that the borrower will enter bankruptcy.
- Financial assets are purchased or originated at a deep discount that reflects incurred credit losses.
- An active market for that financial asset has disappeared.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, EAD and LGD throughout the Group's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of three months. This period of three months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS continued

29.2 CREDIT RISK CONTINUED

29.2.2 ECL measurement continued

29.2.2.3 Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month (12M) or lifetime basis depending on whether a SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired. The general formulation of the ECL determination under the components-based approach (i.e. a model based on PD, EAD and LGD) requires the derivation of term structured PD, EAD and LGD parameters as well as original effective interest rate for discounting. ECL calculations using this approach are based on the following components:

- **PD** – This is an estimate of the likelihood of default over a given time horizon.
- **EAD** – This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.
- **LGD** – This is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD.
- **Period of exposure** – Expected period of exposure to credit risk not mitigated by risk management actions for instruments which include both drawn and undrawn parts.
- **Discount Rate (EIR)** – This is used to discount the expected loss to a present value at the reporting date using the effective interest rate (EIR) at initial recognition. The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

In the current financial year, a revision in the model and risk parameters resulted in a movement in the ECL allowance from R2.3 billion to R0.8 billion. A revision of the model was brought about by the fact that in the prior year, the ECL measurement was based on management judgment and overlay. It was decided to adopt a more statistical approach which would result in a more appropriate measurement of ECL.

The 12M and Lifetime EADs are determined based on the expected payment profile, which varies by instrument.

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12M or Lifetime basis. The 12M and Lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.
- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers.

Forward-looking economic information is also included in determining the 12M and Lifetime PD, EAD and LGD. Refer to note 29.2.2.4 for an explanation of forward-looking information and its inclusion in ECL calculations.

The assumptions underlying the ECL calculation (such as how the maturity profile of the PDs and how collateral values change etc.) are monitored and reviewed periodically.

There have been minimal changes made in estimation techniques and assumptions used in the model during the reporting period (2020: none).

29.2.2.4 Forward-looking information incorporated in the ECL models

Forward-looking information is incorporated into each of the model's scenarios, i.e. the base, upside and downside scenarios.

Periodically, stress testing is carried out of more extreme shocks to calibrate its determination of the upside and downside representative scenarios. A comprehensive review is performed at least annually on the design of the scenarios by a panel of experts that advises senior management.

A second wave of Covid-19 infections has since peaked in many countries and despite further expected waves, the start of vaccinations globally has resulted in an optimistic economic outlook and forecast for growth in global domestic product has been revised.

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS continued

29.2 CREDIT RISK CONTINUED

29.2.3 Credit risk exposure

29.2.3.1 Maximum exposure to credit risk – Financial instruments subject to impairment

In the prior financial year, the sovereign credit downgrades to sub-investment grade and the negative outlook of the South African economy and Gross Domestic Product, resulted in the assessment of a significant increase in credit risk. This was exacerbated by the impact of the COVID-19 pandemic. These factors contributed to an ECL allowance charge of R2.3 billion. A second wave of COVID-19 infections has since peaked in many countries and despite further expected waves, the start of vaccinations globally has resulted in an optimistic economic outlook and forecast for growth in global domestic product has been revised. In the current financial year, a revision of assumptions in the model and risk parameters resulted in a reversal of R1.5 billion in the ECL allowance to R0.8 billion.

In the prior year, the counterparty promissory notes that had been pledged as collateral against the loan facility were impaired due to the counterparty failing to redeem any of its maturing debt securities, nor honouring interest on outstanding debt securities. The borrower was unable to provide replacement collateral, resulting in the utilisation of the facility being temporarily suspended and capped at the outstanding amount whilst in the process of being renegotiated. At reporting date the outstanding loan balance was fully impaired.

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised in the Group.

The closing balance of the credit-impaired loss allowance as at 31 March 2021 is reconciled as follows:

Opening loss allowance as at 1 April 2019	–
Loss allowance recognised during the year	(2 315 341)
Loss allowance as at 31 March 2020	(2 315 341)
Loss allowance recognised during the year	(41 595)
Loss allowance reversed during the year	1 548 203
Loss allowance as at 31 March 2021	(808 733)

	2021					2020
	Stage 1 Lifetime ECL R'000	**Stage 2 Lifetime ECL R'000**	**Stage 3 Lifetime ECL R'000**	**Purchased credit impaired R'000**	**Total R'000**	Total R'000
Gross carrying amount	**–**	**–**	**–**	**–**	**–**	–
Loss allowance	**–**	**(41 595)**	**–**	**–**	**(41 595)**	(2 315 341)
Loss allowance reversed during the year	**–**	**1 548 203**	**–**	**–**	**1 548 203**	–
Carrying amount	**–**	**1 506 608**	**–**	**–**	**1 506 608**	(2 315 341)

The Group writes off financial assets when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Indicators thereof include ceasing enforcement activity or where the collateral value indicates that there is no reasonable expectation of recovery.

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS continued

29.2 CREDIT RISK CONTINUED

29.2.3 Credit risk exposure continued

29.2.3.2 Collateral and other credit enhancements

The Group employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Group has internal policies on the acceptability of specific classes of collateral or credit risk mitigation.

Credit risk with respect to monetary policy operations is sufficiently mitigated, since all repo transactions are fully collateralised. Furthermore, in terms of the SARB Act, no unsecured lending is allowed with the exception of loans made to SA government, subsidiaries of the SARB and certain staff loans. The list of eligible securities is specified in the Operational Notice published on the SARB's website. Furthermore, operations in the foreign exchange market can only be conducted with Authorised Dealers.

The minimum counterparty credit rating for placing deposits and investing in SA government bonds is 'A' by Standard & Poor's or its Moody's or Fitch rating equivalents, while the minimum rating for investments in corporate bonds is 'AA-'.

There were no investment securities with a credit rating below the SARB's Investment Guidelines as at 31 March 2021 (2020: none).

The Group's policies regarding obtaining collateral have not significantly changed during the reporting period, excluding certain counterparty bills that the SARB has taken a decision to temporarily suspend as eligible collateral in its repo operations. There has been no significant change in the overall quality of the collateral held by the Group since the prior period.

29.2.4 Loss allowance

The reversal of the ECL loss allowance in the current financial year is impacted by a variety of factors, as described below:

- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular review of inputs.
- Impacts on the measurement of ECL due to changes made to models and assumptions such as the estimated term of the facility.
- The start of vaccinations globally has resulted in an optimistic economic outlook and forecast for growth in global domestic product has been revised.

As at 31 March 2021 the Group recognised a loss allowance reversal of R1.5 billion (2020: R2.3 billion loss allowance); SARB R42 million (2020: Rnil).

	Stage 1 Lifetime ECL R'000	Stage 2 Lifetime ECL R'000	Stage 3 Lifetime ECL R'000	Purchased credit impaired R'000	Total R'000
Loss allowance as at 01 April 2020	–	(2 315 341)	–	–	(2 315 341)
Movement with profit or loss impact	–	1 506 608	–	–	1 506 608
Changes to model assumptions and methodologies	–	1 548 203	–	–	1 548 203
Other movements	–	(41 595)	–	–	(41 595)
Loss allowance as at March 2021	–	(808 733)	–	–	(808 733)

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS continued

29.3 LIQUIDITY RISK

Liquidity risk is the risk that an entity may not be able to accommodate decreases in liabilities or fund increases in assets in full at the time that a commitment or transaction is due for settlement. In the case of the SARB, this risk is not relevant to domestic assets and liabilities because of the SARB's ability to create rands when required. However, the SARB does face liquidity risk in respect of foreign assets and liabilities. The SARB manages its foreign liquidity risks through appropriate structuring of its foreign investment portfolios to ensure that the maturity profiles of foreign assets adequately match those of foreign commitments. This is monitored and managed on a daily basis by the FMD. In addition, liquidity risk is managed by setting requirements that ensure minimum standards of liquidity, which may include minimum issue size thresholds and securities must be liquid enough to ensure that they are sellable within a reasonably short period. Moreover, the SARB's reserve portfolios are constructed in such a way as to ensure that the 'Liquidity Tranche' is invested in relatively short term securities in order to ensure that sufficient funds are available to meet obligations.

The table below analyses financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to contractual maturity date.

			Current			Non-current	
	Redeemable on demand R'000	Up to 1 month R'000	1 – 3 months R'000	4 – 6 months R'000	7 – 12 months R'000	More than 1 year R'000	Total R'000
GROUP 2021							
Financial assets							
Cash and cash equivalents	–	32 875 786	5 524 939	–	–	–	38 400 725
Accommodation to banks	44 861 737	–	–	–	–	–	44 861 737
Other financial assets	–	701 201	363 326	–	–	231 521	1 296 048
Loans and advances	–	–	–	–	–	13 726 181	13 726 181
Investments	–	72 585	6 010 618	218 240	–	–	6 301 443
SA government bonds	–	–	–	–	–	39 266 475	39 266 475
Equity investment in BIS	5 051 813	–	–	–	–	–	5 051 813
Gold and foreign exchange reserves	145 749 685	108 282 217	44 203 942	113 820 719	114 847 266	252 033 832	778 937 661
FEC assets	–	2 368	–	3 799	65 915	–	72 082
Total financial assets	195 663 235	141 934 157	56 102 825	114 042 758	114 913 181	305 258 009	927 914 165
Unrecognised financial assets							
Guarantees	16 468 402	–	–	–	–	–	16 468 402
Total unrecognised financial assets	16 468 402	–	–	–	–	–	16 468 402
Financial liabilities							
Notes and coin in circulation	168 338 965	–	–	–	–	–	168 338 965
Deposit accounts	170 159 262	134 111 228	–	–	–	–	304 270 490
Foreign deposits	23 614	93 260 969	–	–	–	–	93 284 583
Other financial liabilities	–	2 182 097	347 629	90 388	79 533	231 521	2 931 168
SARB debentures	–	15 010 035	–	–	–	–	15 010 035
FEC liabilities	–	1 377 433	3 784 168	2 700 834	33 626	–	7 896 061
GFECRA	315 584 260	–	–	–	–	–	315 584 260
Total financial liabilities	654 106 101	245 941 763	4 131 797	2 791 222	113 159	231 521	907 315 562
Unrecognised financial liabilities							
CLF	26 150 000	–	–	–	–	–	26 150 000
Guarantees	16 468 402	–	–	–	–	–	16 468 402
Total unrecognised financial liabilities (1)	42 618 402	–	–	–	–	–	42 618 402

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS continued

29.3 LIQUIDITY RISK CONTINUED

	Current					Non-current	
	Redeemable on demand R'000	Up to 1 month R'000	1 – 3 months R'000	4 – 6 months R'000	7 – 12 months R'000	More than 1 year R'000	Total R'000
GROUP 2020							
Financial assets							
Cash and cash equivalents	–	20 536 596	–	–	–	–	20 536 596
Accommodation to banks	86 108 168	–	20 021 288	–	–	–	106 129 456
Other financial assets	–	99 790	296 306	–	–	–	396 096
Loans and advances	25 413 861	–	–	–	54 197	–	25 468 058
Investments	–	99 494	163 390	7 106 416	–	–	7 369 300
SA government bonds	–	–	–	–	–	9 236 468	9 236 468
Equity investment in BIS	5 635 768	–	–	–	–	–	5 635 768
Gold and foreign exchange reserves	168 636 935	157 353 072	66 668 683	104 451 497	132 257 486	302 885 139	931 979 812
FEC assets	–	527 367	856 474	418 936	–	–	1 802 777
Total financial assets	285 521 732	178 616 319	88 006 141	111 976 849	132 311 683	312 121 607	1 108 554 331
Unrecognised financial assets							
Guarantees	3 000 000	–	–	–	–	–	3 000 000
Total unrecognised financial assets	3 000 000	–	–	–	–	–	3 000 000
Financial liabilities							
Notes and coin in circulation	155 544 239	–	–	–	–	–	155 544 239
Deposit accounts	194 976 364	151 650 919	–	–	–	–	346 627 283
Foreign deposits	25 525	148 172 966	–	–	–	–	148 198 491
Other financial liabilities	–	3 056 613	130 019	57 100	102 844	–	3 346 576
FEC liabilities	–	200	–	99 108	–	–	99 308
GFECRA	436 062 044	–	–	–	–	–	436 062 044
Total financial liabilities	786 608 172	302 880 698	130 019	156 208	102 844	–	1 089 877 941
Unrecognised financial liabilities							
CLF	139 982 000	–	–	–	–	–	139 982 000
Guarantees	3 000 000	–	–	–	–	–	3 000 000
Total unrecognised financial liabilities	142 982 000	–	–	–	–	–	142 982 000

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS continued

29.3 LIQUIDITY RISK CONTINUED

	Current					Non-current	
	Redeemable on demand R'000	Up to 1 month R'000	1 – 3 months R'000	4 – 6 months R'000	7 – 12 months R'000	More than 1 year R'000	Total R'000
SARB 2021							
Financial assets							
Amounts due by Group companies	–	–	–	–	–	–	–
Accommodation to banks	44 861 737	–	–	–	–	–	44 861 737
Other financial assets	–	677 530	290 726	–	–	231 521	1 199 777
Loans and advances	–	–	–	–	–	13 726 181	13 726 181
SA government bonds	–	–	–	–	–	39 266 475	39 266 475
Equity investment in BIS	5 051 813	–	–	–	–	–	5 051 813
Gold and foreign exchange reserves	145 749 685	108 282 217	44 203 942	113 820 719	114 847 266	252 033 832	778 937 661
FEC assets	–	2 368	–	3 799	65 915	–	72 082
Total financial assets	195 663 235	108 962 115	44 494 668	113 824 518	114 913 181	305 258 009	883 115 726
Unrecognised financial assets							
Guarantees	16 468 402	–	–	–	–	–	16 468 402
Total unrecognised financial assets	16 468 402	–	–	–	–	–	16 468 402
Financial liabilities							
Notes and coin in circulation	168 338 965	–	–	–	–	–	168 338 965
Deposit accounts	88 797 531	134 111 228	–	–	–	–	222 908 759
Amounts due to Group companies	38 352 704	–	–	–	–	–	38 352 704
Foreign deposits	23 614	93 260 969	–	–	–	–	93 284 583
Other financial liabilities	–	948 571	–	–	–	231 521	1 180 092
SARB debentures	–	15 010 035	–	–	–	–	15 010 035
FEC liabilities	–	1 377 433	3 784 168	2 700 834	33 626	–	7 896 061
GFECRA	315 584 260	–	–	–	–	–	315 584 260
Total financial liabilities	611 097 074	244 708 236	3 784 168	2 700 834	33 626	231 521	862 555 459
Unrecognised financial liabilities							
CLF	26 150 000	–	–	–	–	–	26 150 000
Guarantees	19 968 402	–	–	–	–	–	19 968 402
Total unrecognised financial liabilities (1)	46 118 402	–	–	–	–	–	46 118 402

1 The financial guarantee liabilities includes a guarantee that the SARB has provided to the commercial banks in respect of the COVID-19 LGS to the extent of the current exposure of R13.4 billion with a potential guarantee limited to the allocated R89.6 billion. In terms of the memorandum of understanding between SARB and the National Treasury, the SARB's obligations are covered by a full back-to-back guarantee from the National Treasury. The total guarantee is limited to a facility of R100 billion.

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS continued

29.3 LIQUIDITY RISK CONTINUED

	Current					Non-current	
	Redeemable on demand R'000	Up to 1 month R'000	1 – 3 months R'000	4 – 6 months R'000	7 – 12 months R'000	More than 1 year R'000	Total R'000
SARB 2020							
Financial assets							
Amounts due by Group companies	66	–	–	–	–	–	66
Accommodation to banks	86 108 168	–	20 021 288	–	–	–	106 129 456
Other financial assets	–	71 617	296 306	–	–	–	367 923
Loans and advances	–	–	–	–	54 197	–	54 197
SA government bonds	–	–	–	–	–	9 236 468	9 236 468
Equity investment in BIS	5 635 768	–	–	–	–	–	5 635 768
Gold and foreign exchange reserves	168 363 935	157 353 072	66 668 683	104 451 497	132 257 486	302 885 139	931 979 812
FEC assets	–	527 367	856 474	418 936	–	–	1 802 777
Total financial assets	260 107 937	157 952 056	87 842 751	104 870 433	132 311 683	312 121 607	1 055 206 467
Unrecognised financial assets							
Guarantees	3 000 000	–	–	–	–	–	3 000 000
Total unrecognised financial assets	3 000 000	–	–	–	–	–	3 000 000
Financial liabilities							
Notes and coin in circulation	155 544 239	–	–	–	–	–	155 544 239
Deposit accounts	123 128 779	151 650 919	–	–	–	–	274 779 698
Amounts due to Group companies	17 320 772	–	–	–	–	–	17 320 772
Foreign deposits	25 525	148 172 966	–	–	–	–	148 198 491
Other financial liabilities	–	2 673 226	–	–	–	–	2 673 226
FEC liabilities	–	200	–	99 108	–	–	99 308
GFECRA	436 062 044	–	–	–	–	–	436 062 044
Total financial liabilities	732 081 359	302 497 311	–	99 108	–	–	1 034 677 778
Unrecognised financial liabilities							
CLF	139 982 000	–	–	–	–	–	139 982 000
Guarantees	3 000 000	–	–	–	–	–	3 000 000
Total unrecognised financial liabilities	142 982 000	–	–	–	–	–	142 982 000

29.4 SETTLEMENT RISK

Settlement risk (the risk that the counterparty may not be able to complete a transaction) is mitigated in a number of ways. The SARB will only transfer funds after sufficient collateral has been secured.

For outright transactions in securities, settlement risk is eliminated through the use of systems that are based on delivery versus payment, that is, the simultaneous exchange of securities and cash. In addition to restricting foreign exchange transactions to highly rated counterparties, a transaction limit is imposed on the total value of foreign currency transactions settling with a counterparty on a given day. Furthermore, the SARB is a participant in Continuous Linked Settlement, a clearing house that eliminates settlement risk in foreign exchange, allowing payment versus delivery in a number of major currencies. It eliminates 'temporal' settlement risk, making same-day settlement both possible and final.

30. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

	Total R'000	FVPL (Mandatory) R'000	FVPL (Designated) R'000	Amortised cost R'000	FVOCI R'000	SARB Act R'000	Fair value[1] R'000
GROUP 2021							
Financial assets							
Cash and cash equivalents	38 400 725	–	37 812 914	587 811	–	–	38 400 725
Accommodation to banks	44 861 737	–	–	44 861 737	–	–	44 861 737
Investments	6 301 443	–	6 301 443	–	–	–	–
Other financial assets	1 296 048	–	–	1 296 048	–	–	1 296 048
Gold and foreign exchange reserves	778 937 661	169 438	633 018 537	–	–	145 749 686	–
FEC assets	72 082	–	–	–	–	72 082	–
Loans and advances	13 726 181	–	–	13 726 181	–	–	13 726 181
SA government bonds	39 266 475	–	39 266 475	–	–	–	–
Equity investment in BIS	5 051 813	–	–	–	5 897 722	(845 909)	–
Unrecognised financial assets							
Guarantees	16 468 402	–	–	–	–	–	16 468 402
Financial liabilities							
Notes and coin in circulation	168 338 965	–	–	168 338 965	–	–	168 338 965
Deposit accounts[2]	304 270 490	–	–	304 270 490	–	–	304 270 490
Foreign deposits	93 284 583	–	93 284 583	–	–	–	–
Other financial liabilities	2 931 168	–	–	2 931 168	–	–	2 931 168
SARB debentures	15 010 035	–	–	15 010 035	–	–	15 010 035
FEC liabilities	7 896 061	–	–	–	–	7 896 061	–
GFECRA	315 584 260	–	–	–	–	315 584 260	–
Unrecognised financial liabilities							
CLF	26 150 000	–	–	–	–	–	26 150 000
Guarantees	16 468 402	–	–	–	–	–	16 468 402

1 Fair values have been disclosed only for instruments carried at amortised cost, with the exception of cash and cash equivalents. Carrying value has been used where it closely approximates fair value.

2 Included in deposit accounts are amounts that do not bear interest. These deposit accounts do not have fixed maturity dates.

30. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES continued

	Total R'000	FVPL (Mandatory) R'000	FVPL (Designated) R'000	Amortised cost R'000	FVOCI R'000	SARB Act R'000	Fair value[1] R'000
GROUP 2020							
Financial assets							
Cash and cash equivalents	20 536 596	–	8 526 284	12 010 312	–	–	20 536 596
Accommodation to banks	106 129 456	–	–	106 129 456	–	–	106 129 456
Investments	7 369 300	–	7 369 300	–	–	–	–
Other financial assets	396 096	–	–	396 096	–	–	396 096
Gold and foreign exchange reserves	931 979 812	(459 606)	764 075 483	–	–	168 363 935	–
FEC assets	1 802 777	–	–	–	–	1 802 777	–
Loans and advances	25 468 058	–	–	25 468 058	–		25 468 058
SA government bonds	9 236 468	–	9 236 468	–	–	–	–
Equity investment in BIS	5 635 768	–	–	–	4 651 015	984 753	–
Unrecognised financial assets							
Guarantees	3 000 000	–	–	–	–	–	3 000 000
Financial liabilities							
Notes and coin in circulation	155 544 239	–	–	155 544 239	–	–	155 544 239
Deposit accounts[2]	346 627 283	–	–	346 627 283	–	–	346 627 283
Foreign deposits	148 198 491	–	148 198 491	–	–	–	–
Other financial liabilities	3 346 576	–		3 346 576	–	–	3 346 576
SARB debentures	–	–	–	–	–	–	–
FEC liabilities	99 308	–	–	–	–	99 308	–
GFECRA	436 062 044	–	–	–	–	436 062 044	–
Unrecognised financial liabilities							
CLF	139 982 000	–	–	–	–	–	139 982 000
Guarantees	3 000 000	–	–	–	–	–	3 000 000

1 Fair values have been disclosed only for instruments carried at amortised cost. Carrying value has been used where it closely approximates fair value.

2 Included in deposit accounts are amounts that do not bear interest. These deposit accounts do not have fixed maturity dates.

30. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES continued

	Total R'000	FVPL (Mandatory) R'000	FVPL (Designated) R'000	Amortised cost R'000	FVOCI R'000	SARB Act R'000	Fair value[1] R'000
SARB 2021							
Financial assets							
Amounts due by Group companies	–	–	–	–	–	–	–
Accommodation to banks	44 861 737	–	–	44 861 737	–	–	44 861 737
Other financial assets	1 199 777	–	–	1 199 777	–	–	1 199 777
Gold and foreign exchange reserves	778 937 661	169 438	633 018 537	–	–	145 749 686	–
FEC assets	72 082	–	–	–	–	72 082	–
Loans and advances	13 726 181	–	–	13 726 181	–	–	13 726 181
SA government bonds	39 266 475	–	39 266 475	–	–	–	–
Equity investment in BIS	5 051 813	–	–	–	5 897 722	(845 909)	–
Unrecognised financial assets							
Guarantees	16 468 402	–	–	–	–	–	16 468 402
Financial liabilities							
Notes and coin in circulation	168 338 965	–	–	168 338 965	–	–	168 338 965
Deposit accounts[2]	222 908 759	–	–	222 908 759	–	–	222 908 759
Amounts due to Group companies	38 352 704	–	–	38 352 704	–	–	38 352 704
Foreign deposits	93 284 583	–	93 284 583	–	–	–	–
Other financial liabilities	1 180 092	–	–	1 180 092	–	–	1 180 092
SARB debentures	15 010 035	–	–	15 010 035	–	–	15 010 035
FEC liabilities	7 896 061	–	–	–	–	7 896 061	–
GFECRA	315 584 260	–	–	–	–	315 584 260	–
Unrecognised financial liabilities							
CLF	26 150 000	–	–	–	–	–	26 150 000
Guarantees	19 968 402	–	–	–	–	–	19 968 402

1 Fair values have been disclosed only for instruments carried at amortised cost. Carrying value has been used where it closely approximates fair value.
2 Included in deposit accounts are amounts that do not bear interest. These deposit accounts do not have fixed maturity dates.

30. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES continued

	Total R'000	FVPL (Mandatory) R'000	FVPL (Designated) R'000	Amortised cost R'000	FVOCI R'000	SARB Act R'000	Fair value[1] R'000
SARB 2020							
Financial assets							
Amounts due by Group companies	66	–	–	66	–	–	66
Accommodation to banks	106 129 456	–	–	106 129 456	–	–	106 129 456
Other financial assets	367 923	–	–	367 923	–	–	367 923
Gold and foreign exchange reserves	931 979 812	(459 606)	764 075 483	–	–	168 363 935	–
FEC assets	1 802 777	–	–	–	–	1 802 777	–
Loans and advances	54 197	–	–	54 197	–	–	54 197
SA government bonds	9 236 468	–	9 236 468	–	–	–	–
Equity investment in BIS	5 635 768	–	–	–	4 651 015	984 753	–
Unrecognised financial assets							
Guarantees	3 000 000	–	–	–	–	–	3 000 000
Financial liabilities							
Notes and coin in circulation	155 544 239	–	–	155 544 239	–	–	155 544 239
Deposit accounts[2]	274 779 698	–	–	274 779 698	–	–	274 779 698
Amounts due to Group companies	17 320 772	–	–	17 320 772	–	–	17 320 772
Foreign deposits	148 198 491	–	148 198 491	–	–	–	–
Other financial liabilities	2 673 226	–	–	2 673 226	–	–	2 673 226
FEC liabilities	99 308	–	–	–	–	99 308	–
GFECRA	436 062 044	–	–	–	–	436 062 044	–
Unrecognised financial liabilities							
CLF	139 982 000	–	–	–	–	–	139 982 000
Guarantees	3 000 000	–	–	–	–	–	3 000 000

1 Fair values have been disclosed only for instruments carried at amortised cost. Carrying value has been used where it closely approximates fair value.
2 Included in deposit accounts are amounts that do not bear interest. These deposit accounts do not have fixed maturity dates.

31. FAIR VALUE HIERARCHY DISCLOSURES

The tables on pages 85 to 88 analyse the assets and liabilities of the Group carried at fair value and amortised cost by the level of fair value hierarchy. The fair value hierarchy depends on the extent to which quoted prices are used in determining the fair value of the specific instruments. The different levels are defined as follows:

Level 1: Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities. These are readily available in the market and are normally obtainable from multiple sources.

Level 2: Fair value is based on input other than quoted prices included within Level 1 that is observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value is based on input for the asset or liability that is not based on observable market data (i.e. unobservable inputs).

The Group's policy is to recognise transfers into and transfers out of the fair value hierarchy levels as at the date of the event or change in circumstances that caused the transfer. During the year under review there have been no transfers between any of the levels (2020: none).

31.1 VALUATION TECHNIQUES USED TO DERIVE LEVEL 1 FAIR VALUES

The fair value of financial instruments traded in active markets are based on quoted market prices as obtained from the custodians at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker or pricing services and those prices represent actual and regularly occurring market transactions on an arm's-length basis. The quoted market price used for financial assets held by the SARB is the current price as per the custodian's pricing hierarchy. These instruments are included in Level 1.

31.2 VALUATION TECHNIQUES USED TO DERIVE LEVEL 2 FAIR VALUES

The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable the instrument is included in Level 2.

Specific valuation techniques used to value financial instruments include the following:

- quoted market prices or dealer quotes for similar instruments are used for gold and foreign exchange reserves and investments;
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- the fair value of FECs is determined using forward exchange rates at the reporting date with the resulting value discounted back to present value; and
- the fair value of all other instruments are derived with reference to yields.

31.3 VALUATION TECHNIQUES USED TO DERIVE LEVEL 3 FAIR VALUES

The equity investment in the BIS is classified as Level 3. It is valued at the net asset value adjusted by 30.00%. This adjustment is not subject to sensitivity. The adjusted net asset value is based on SDRs. No active market exists for these shares. Refer to note 11 for more detail.

The revaluation of valuable art is classified as Level 3. Revaluations will be performed every three years by independent reliable valuators. In the absence of an official fair value assessment by an independent valuator the insured value will be used as an indicator of fair value. These fair value adjustments are not subject to sensitivity.

31. FAIR VALUE HIERARCHY DISCLOSURES continued

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
GROUP 2021				
Items measured at fair value				
Non-financial assets				
Property plant and equipment	–	–	144 417	144 417
Financial assets				
Cash and cash equivalents	–	37 812 914	–	37 812 914
SA government bonds	39 266 475	–	–	39 266 475
Equity investment in BIS[1]	–	–	5 051 813	5 051 813
FEC assets	–	72 082	–	72 082
Investments	–	6 301 443	–	6 301 443
Gold and foreign exchange reserves	423 420 854	355 516 807	–	778 937 661
Gold coin and bullion	100 472 034	–	–	100 472 034
Money market instruments and deposits	–	82 488 418	–	82 488 418
Securities	322 919 404	227 610 715	–	550 530 119
Derivatives	29 416	140 022	–	169 438
IMF SDR assets	–	45 277 652	–	45 277 652
Financial liabilities				
FEC liabilities	–	7 896 061	–	7 896 061
Foreign deposits	–	93 284 583	–	93 284 583
Items measured at amortised cost				
Financial assets				
Cash and cash equivalents	–	587 811	–	587 811
Accommodation to banks	–	44 861 737	–	44 861 737
Other financial assets	–	1 296 048	–	1 296 048
Loans and advances	–	13 726 181	–	13 726 181
Financial liabilities				
Notes and coin in circulation	–	168 338 965	–	168 338 965
Deposit accounts	–	304 270 490	–	304 270 490
Other financial liabilities	–	2 931 168	–	2 931 168
SARB debentures	–	15 010 035	–	15 010 035
GFECRA	315 584 260	–	–	315 584 260

1 Refer to note 11 Equity investment in BIS for further details on this investment.

31. FAIR VALUE HIERARCHY DISCLOSURES continued

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
GROUP 2020				
Items measured at fair value				
Non-financial assets				
Property plant and equipment	–	–	132 825	132 825
Financial assets				
Cash and cash equivalents	–	8 526 284	–	8 526 284
SA government bonds	9 236 468	–	–	9 236 468
Equity investment in BIS[1]	–	–	5 635 768	5 635 768
FEC assets	–	1 802 777	–	1 802 777
Investments	–	7 369 300	–	7 369 300
Gold and foreign exchange reserves	559 531 298	372 448 514	–	931 979 812
Gold coin and bullion	115 360 360	–	–	115 360 360
Money market instruments and deposits	–	123 659 544	–	123 659 544
Securities	444 172 869	196 243 070	–	640 415 939
Derivatives	(1 931)	(457 675)	–	(459 606)
IMF SDR assets	–	53 003 575	–	53 003 575
Financial liabilities				
FEC liabilities	–	99 308	–	99 308
Foreign deposits	–	148 198 491	–	148 198 491
Items measured at amortised cost				
Financial assets				
Cash and cash equivalents	–	12 010 312	–	12 010 312
Accommodation to banks	–	106 129 456	–	106 129 456
Other financial assets	–	396 096	–	396 096
Loans and advances	–	25 468 058	–	25 468 058
Financial liabilities				
Notes and coin in circulation	–	155 544 239	–	155 544 239
Deposit accounts	–	346 627 283	–	346 627 283
Other financial liabilities	–	3 346 576	–	3 346 576
SARB debentures	–	–	–	–
GFECRA	436 062 044	–	–	436 062 044

1 Refer to note 11 Equity investment in BIS for further details on this investment.

31. FAIR VALUE HIERARCHY DISCLOSURES continued

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
SARB 2021				
Items measured at fair value				
Non-financial assets				
Property plant and equipment	–	–	144 417	144 417
Financial assets				
SA government bonds	39 266 475	–	–	39 266 475
Equity investment in BIS[1]	–	–	5 051 813	5 051 813
FEC assets	–	72 082	–	72 082
Gold and foreign exchange reserves	423 420 854	355 516 807	–	778 937 661
Gold coin and bullion	100 472 034	–	–	100 472 034
Money market instruments and deposits	–	82 488 418	–	82 488 418
Securities	322 919 404	227 610 715	–	550 530 119
Derivatives	29 416	140 022	–	169 438
IMF SDR assets	–	45 277 652	–	45 277 652
Financial liabilities				
FEC liabilities	–	7 896 061	–	7 896 061
Foreign deposits	–	93 284 583	–	93 284 583
Items measured at amortised cost				
Financial assets				
Amounts due from Group companies	–	–	–	–
Accommodation to banks	–	44 861 737	–	44 861 737
Other financial assets	–	1 199 777	–	1 199 777
Loans and advances	–	13 726 181	–	13 726 181
Financial liabilities				
Notes and coin in circulation	–	168 338 965	–	168 338 965
Deposit accounts	–	222 908 759	–	222 908 759
Amounts due to Group companies	–	38 352 704	–	38 352 704
Other financial liabilities	–	1 180 092	–	1 180 092
SARB debentures	–	15 010 035	–	15 010 035
GFECRA	315 584 260	–	–	315 584 260

1 Refer to note 11 Equity investment in BIS for further details on this investment.

31. FAIR VALUE HIERARCHY DISCLOSURES continued

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
SARB 2020				
Items measured at fair value				
Non-financial assets				
Property plant and equipment	–	–	132 825	132 825
Financial assets				
SA government bonds	9 236 468	–	–	9 236 468
Equity investment in BIS[1]	–	–	5 635 768	5 635 768
FEC assets	–	1 802 777	–	1 802 777
Gold and foreign exchange reserves	559 531 298	372 448 514	–	931 979 812
Gold coin and bullion	115 360 360	–	–	115 360 360
Money market instruments and deposits	–	123 659 544	–	123 659 544
Securities	444 172 869	196 243 070	–	640 415 939
Derivatives	(1 931)	(457 675)	–	(459 606)
IMF SDR assets	–	53 003 575	–	53 003 575
Financial liabilities				
FEC liabilities	–	99 308	–	99 308
Foreign deposits	–	148 198 491	–	148 198 491
Items measured at amortised cost				
Financial assets				
Amounts due from Group companies	–	66	–	66
Accommodation to banks	–	106 129 456	–	106 129 456
Other financial assets	–	367 923	–	367 923
Loans and advances	–	54 197	–	54 197
Financial liabilities				
Notes and coin in circulation	–	155 544 239	–	155 544 239
Deposit accounts	–	274 779 698	–	274 779 698
Amounts due to Group companies	–	17 320 772	–	17 320 772
Other financial liabilities	–	2 673 226	–	2 673 226
SARB debentures	–	–	–	–
GFECRA	436 062 044	–	–	436 062 044

1 Refer to note 11 Equity investment in BIS for further details on this investment.

31. FAIR VALUE HIERARCHY DISCLOSURES continued

FAIR VALUE DISCLOSURES

Reconciliation of level 3 assets

The following table provides a reconciliation of the opening to closing balance for all assets that are measured at fair value and incorporates inputs that are not based on observable market data (level 3) for the group. Refer to note 11 and 12.

	Non-financial assets	Financial assets	
	Property, plant and equipment R'000	Equity investment in BIS R'000	Total R'000
Balance at 31 March 2020	**132 825**	**5 635 768**	**5 768 593**
Additions (purchases)	**2 138**	**–**	**2 138**
Revaluation adjustments of property, plant and equipment	**9 454**	**–**	**9 454**
Fair value adjustments	**–**	**261 954**	**261 954**
Disposals	**–**	**–**	**–**
Foreign exchange movements transferred to GFECRA	**–**	**(845 909)**	**(845 909)**
Balance at 31 March 2021	**144 417**	**5 051 813**	**5 196 230**
Balance at 31 March 2019	**136 838**	**4 333 257**	**4 470 095**
Additions (purchases)	5 632	–	5 632
Revaluation adjustments of property, plant and equipment	(9 519)	–	(9 519)
Fair value adjustments	–	317 758	317 758
Disposals	(126)	–	(126)
Foreign exchange movements transferred to GFECRA	–	984 753	984 753
Balance at 31 March 2020	132 825	5 635 768	5 768 593

32. INCOME AND EXPENSES ACCORDING TO CLASSIFICATION OF FINANCIAL INSTRUMENTS

	Total R'000	FVPL (Mandatory) R'000	FVPL (Designated) R'000	Amortised cost R'000	FVOCI R'000	SARB Act R'000
GROUP 2021						
Interest revenue	**8 489 411**	**3 247 641**	**339 859**	**4 901 911**	**–**	**–**
Interest expense	**(5 623 029)**	**–**	**–**	**(5 623 029)**	**–**	**–**
Fair value gains	**5 485 066**	**724 481**	**4 760 585**	**–**	**–**	**–**
Dividend income related to investments held at year-end	**–**	**–**	**–**	**–**	**–**	**–**
GROUP 2020						
Interest revenue	11 320 879	623 144	2 838 628	7 859 107	–	–
Interest expense	(10 108 491)	–	–	(10 108 491)	–	–
Fair value gains/(losses)	12 735 806	(48 301)	12 784 107	–	–	–
Dividend income related to investments held at year-end	41 226	–	–	–	41 226	–
SARB 2021						
Interest revenue	**5 481 734**	**3 247 641**	**100 229**	**2 133 864**	**–**	**–**
Interest expense	**(2 918 514)**	**–**	**–**	**(2 918 514)**	**–**	**–**
Fair value gains	**5 737 484**	**724 481**	**5 013 003**	**–**	**–**	**–**
Dividend income related to investments held at year-end[1]	**(200)**	**–**	**–**	**(200)**	**–**	**–**
SARB 2020						
Interest revenue	6 269 229	623 144	1 925 481	3 720 604	–	–
Interest expense	(5 367 919)	–	–	(5 367 919)	–	–
Fair value gains/(losses)	13 366 431	(48 301)	13 414 732	–	–	–
Dividend income related to investments held at year-end	1 441 426	–	–	1 400 200	41 226	–

1 Due to the solvency and going-concern issues noted in the CPD's 2020 Annual Financial Statements, it was recommended that the dividend be rescinded and repaid. The CPD Board approved the withdrawal of the dividend and requested repayment from the shareholder (SARB).

The following table presents details of operating income:

32.1 OPERATING INCOME

	GROUP		SARB	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Bank charges	**176 548**	185 281	**176 548**	185 281
Commission – FMD	**504 174**	764 927	**504 174**	764 927
Bulk cash service fees	**13 598**	13 069	**13 598**	13 069
Management fees	**–**	–	**9 211**	9 219
Settlement commission income	**70 182**	78 134	**70 182**	78 134
Licence fees	**10 641**	6 541	**10 641**	6 541
Sales by Group companies	**4 506 994**	4 074 537	**–**	–
Sundry income	**138 630**	111 290	**138 630**	111 290
Total	**5 420 767**	5 233 778	**922 984**	1 168 461

33. COMMITMENTS AND GUARANTEES

33.1 GUARANTEES

R3.0 billion (2020: R3.0 billion) had been guaranteed by the SARB to ABL undertaking to settle unrecoverable loans that Residual Debt Services Limited (RDS) could not settle i.t.o the indemnity agreement. As at 31 March 2021 this facility had not been utilised.

In turn, R3.0 billion (2020: R3.0 billion) had been guaranteed by the SA government to the SARB with the same terms to assist with the above mentioned guarantee issued to ABL. A guarantee fee of 30 basis points is payable upon the utilisation of the guarantee facility. As at 31 March 2021 this facility had not been utilised and no loss allowances were required.

33.2 COMMITTED LIQUIDITY FACILITIES

The CLFs are designed to allow local banks to meet Basel III rules that require financial institutions to hold high-quality liquid assets as a buffer during times of market stress. Subsequently, the SARB has approved the provision of a CLF to assist banks to meet the liquidity coverage ratio.

Although banks can contractually draw down on the CLF with immediate effect, such a draw down would signal a degree of liquidity pressure and banks are not expected to draw down except in circumstances of extraordinary liquidity needs. The SARB monitors the liquidity positions of all banks as part of its normal supervisory processes and should be aware of any deterioration in a bank's liquidity position that could possibly result in a draw down on the CLF.

On 31 March 2021 the total CLFs granted by the SARB for the period 1 January 2021 to 31 December 2021 amounted to R26.2 billion (2020: R140.0 billion), which have not yet been utilised. Commitment fees of R151.7 million (2020: R620.7 million) have been received for the period of 1 January 2021 to 31 December 2021 of which R37.9 million (2020: R155.2 million) is accounted for as income for the year ended 31 March 2021. The balance is reflected in other liabilities.

An interest rate of repo plus 1.00% is charged on draw down for the draw down period of up to 30 days.

The available facility is limited to the lower of the facilities entered into and the available collateral after the haircut is applied. To date, residential, commercial mortgages, auto loans and asset backed securities of R52.4 billion (2020: R128.5 billion) (before the haircut is applied) have been ceded to the SARB as collateral as per the individual agreements. A haircut is applied to the collateral registered with the SARB as per the contractual agreement, based on the risk associated with each class of asset registered as collateral.

33.3 VBS MUTUAL BANK

VBS Mutual Bank (VBS) was placed under curatorship by the SARB. The SARB undertook to guarantee retail deposits of up to R100 000 per depositor. The SARB transferred an amount of R264.8 million to Nedbank for the payment of VBS depositors. The SARB has committed funds totalling R336.0 million to the depositors of which only R264.8 million has been claimed to date. An amount of R3.7 million was transferred for 370 qualifying retail accounts in the current year. The remaining amount could be activated by depositors up to expiry of four months. An impairment has been raised against the transferred amount and the SARB will continue to assess the recoverability. A legal claim has been lodged against the insolvent estate of VBS, of which the timing and amount remains uncertain.

33. COMMITMENTS AND GUARANTEES continued

33.4 LOAN GUARANTEE SCHEME

In May 2020, the SARB entered into a loan guarantee scheme with various participating banks for the purposes of the COVID-19 LGS. The participating banks may claim losses under the scheme subject to a waterfall, with a claim under the SARB guarantee being after the participating banks exhaust the margin entitlement account, the credit premium account and the borrowers risk portion. In turn, the SA government has issued a guarantee in favour of the SARB in respect of any losses which may be incurred by the SARB in respect of the COVID-19 LGS to the amount of R100 billion. Furthermore, the SARB has provided a guarantee to the commercial banks in respect of the COVID-19 LGS to the extent of the current exposure of R13.4 billion with a potential guarantee limited to R89.6 billion allocated to commercial banks.

33.5 CPD GUARANTEE

In June 2020, the SARB provided a guarantee of R3.5 billion to the CPD a wholly-owned subsidiary of the SARB, in order to cover expected credit losses following the downgrade of the sovereign and losses related to defaults by a certain counterparty and associated impairments recognised for the financial year.

33.6 ABHL – LOAN FACILITY

A shareholder support transaction was concluded in terms of which the SARB will provide a collateralised loan of up to R4.0 billion over a period of four years to ABL in accordance with section 10(1)(f) of the SARB Act (hereinafter referred to as “the Transaction”) and the other shareholders will subscribe to DMTN in ABL in accordance with the respective pro rata shareholding in ABHL. The SARB will make available R1.0 billion per year to ABL and will advance the funds to ABL at the same time as the other shareholders subscribe for DMTN notes. The loan is secured by a cession in security of a portion of ABL’s customer loan portfolio, with a collateral cover ratio of 111.00%. The facility remains undrawn as at 31 March 2021.

33.7 CoDI GUARANTEE

The SARB will provide a guarantee for the deposits that banks will place with the CoDI for the liquidity tier of the deposit insurance fund, in order to allow banks to recognise this guarantee in the risk-weighting of these assets for regulatory capital purposes. Member banks will have to maintain a deposit of 3.00% of each bank’s covered deposit balance with the CoDI for as long as they are licenced. The interest payable will be linked to the investment returns earned on these funds. As at 31 March 2021, the Financial Sector Laws Amendment Bill (FSLAB) was not promulgated. The collection of funds is to commence after promulgation of the FSLAB.

34. RELATED PARTY INFORMATION

34.1 INVESTMENT IN SUBSIDIARIES

	Authorised and issued share capital		GROUP		SARB	
	Number of shares '000	% held	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Corporation for Public Deposits[1]	2 000	100	–	–	2 000	2 000
South African Bank Note Company (RF) Proprietary Limited	61 000	100	–	–	803 000	803 000
Share capital	61 000	100	–	–	61 000	61 000
Subordinated loan	–	–	–	–	742 000	742 000
South African Mint Company (RF) Proprietary Limited	60 000	100	–	–	206 000	206 000
Total investment in subsidiaries			–	–	1 011 000	1 011 000

1 The SARB provides key personnel services to the CPD.

The subordinated loan to the SABN of R0.7 billion (2020: R0.7 billion) bears no interest and has no fixed terms of repayment. No repayments were made during the year (2020: RNil). The SARB may demand repayment of the loan provided the subsidiary's assets exceed its liabilities. When recalled the subsidiary has the option to convert the loan to share capital. The loan is included in the books of the subsidiary as a separate category of equity and is thus treated as an addition to the SARB's investment in subsidiary.

The contribution to the Group profit attributable to the parent (pre elimination of intercompany transactions) is as follows:

	GROUP 2021 R'000	GROUP 2020 R'000	SARB 2021 R'000	SARB 2020 R'000
Corporation for Public Deposits	1 541 819	(2 769 396)	–	–
South African Bank Note Company (RF) Proprietary Limited	60 264	105 860	–	–
South African Mint Company (RF) Proprietary Limited	314 792	947 039	–	–
Total contribution to Group profit	1 916 875	(1 716 497)	–	–

34.1.1 Investment in Prestige Bullion

Prestige Bullion (RF) Proprietary Limited is a subsidiary of the South African Mint. The South African Mint holds a 60.00% interest in Prestige Bullion. Prestige Bullion distributes, and sells bullion Krugerrand coins to local and international markets. The South African Mint is responsible for the manufacturing while the marketing and distribution of the coins is done by Rand Refinery Proprietary Limited (Rand Refinery).

Main business	Manufacturing of blanks, marketing and distribution of legal tender Bullion coin
Country of incorporation	South Africa
Interest held as non-controlling	40.00%
Percentage voting rights held by non-controlling interest	40.00%

Rand Refinery holds the 40.00% non-controlling interest in Prestige Bullion.

34. RELATED PARTY INFORMATION continued

34.1 INVESTMENT IN SUBSIDIARIES CONTINUED

34.1.1 Investment in Prestige Bullion continued

Summarised financial information of Prestige Bullion

	PRESTIGE BULLION	
	2021 R'000	2020 R'000
Statement of financial position		
Current assets	**594 183**	737 686
Total assets	**594 183**	737 686
Total equity	**330 511**	406 714
Current liabilities	**263 672**	330 972
Total equity and liabilities	**594 183**	737 686
Statement of comprehensive income		
Revenue	**4 195 490**	3 585 944
Gross profit	**622 186**	2 214 789
Operating expense	**(23 581)**	(35 523)
Profit before tax	**589 273**	2 254 290
Total comprehensive income	**423 797**	1 623 088

34.1.2 Transactions with non-controlling interests

Rand Refinery

Rand Refinery has a 40.00% interest and therefore holds a non-controlling interest in Prestige Bullion.

	GROUP		SARB	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Profit attributable to non-controlling interest	**169 518**	649 235	**–**	–
Accumulated non-controlling interest at year-end	**131 988**	162 470	**–**	–
Dividends paid to non-controlling interest	**200 000**	620 400	**–**	–

No significant restrictions exist on the SARB's ability to access or use the assets to settle the liabilities of the Group.

34.2 INVENTORY HELD ON BEHALF OF THE SARB BY THE SOUTH AFRICAN MINT

At year-end coin inventory of R161.8 million (2020: R229.5 million) was held on behalf of the SARB.

34. RELATED PARTY INFORMATION continued

34.3 INVESTMENT IN ASSOCIATE

	Authorised and issued share capital		GROUP		SARB	
	Number of shares '000	% held	2021 R'000	2020 R'000	2021 R'000	2020 R'000
African Bank Holdings Limited (Carrying value)	500 000	50	**3 467 000**	5 416 369	**3 467 000**	5 000 000
Profit attributable to Group			**118 525**	280 463	**–**	–
Impairment loss			**(118 525)**	(2 229 832)	**–**	(1 533 000)
Carrying value of investment in associate			**3 467 000**	3 467 000	**3 467 000**	3 467 000

34.3.1 Impairment loss recognised on investment in associate:

The Group performs an annual impairment test on the investment in associate. The recognition of the impairment loss in the prior year was mainly as a result of the large scale economic impact of the COVID-19 pandemic on the expected cashflows of ABHL, which has subsequently improved and as such a minimal impairment limited to the share of profit in associate has been recognised in the current year.

The recoverable amount of R3.5 billion (2020: R3.5 billion) was calculated by means of the 'value in use method' using free cash flows and was based on certain assumptions.

Management made the following key assumptions in its determination of the fair value:

- ABHL is a going concern and would be able to continue operating for the foreseeable future.
- The calculations use cash flow projections based on financial budgets approved by ABHL management covering a five-year period.
- A discount rate of 15.74% (2020: 16.50%) was used to calculate the present value of future cash flows. The average discount rate is calculated using the Capital Asset Pricing Model based on market related inputs in various scenarios. The main determinants of which are the South African Risk Free Rate at the time of the valuation, Beta calculated using comparable companies, the Implied Market Risk Premium at the time of the valuation and Alpha risk adjustments based on available market information.
- Funding was secured and there has been no withdrawals as at 31 March 2021 (2020: none). (Refer to note 33 for more detail).

34.3.2 Sensitivity analysis:

	GROUP		SARB	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
The effect of a 1% increase and decrease in the discount rate is as follows:				
ABHL carrying value				
1% decrease	**3 531 090**	3 529 000	**3 531 090**	3 529 000
Valuation basis	**3 467 000**	3 467 000	**3 467 000**	3 467 000
1% increase	**3 421 226**	3 408 000	**3 421 226**	3 408 000
Impairment loss				
1% decrease	**(54 435)**	(2 167 832)	**64 090**	(1 471 000)
Valuation basis	**(118 525)**	(2 229 832)	**–**	(1 533 000)
1% increase	**(164 299)**	(2 288 832)	**(45 774)**	(1 592 000)
The effect of a 10% increase and decrease in the cash flow forecast is as follows:				
ABHL carrying value				
10% decrease	**3 055 712**	3 121 000	**3 055 712**	3 121 000
Valuation basis	**3 467 000**	3 467 000	**3 467 000**	3 467 000
10% increase	**3 895 034**	3 814 000	**3 895 034**	3 814 000
Impairment loss				
10% decrease	**(529 813)**	(2 575 832)	**(411 288)**	(1 879 000)
Valuation basis	**(118 525)**	(2 229 832)	**–**	(1 533 000)
10% increase	**309 509**	(1 882 832)	**428 034**	(1 186 000)

34. RELATED PARTY INFORMATION continued

34.4 AMOUNTS DUE BY/TO RELATED PARTIES

	GROUP		SARB	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Amounts due by related parties				
Corporation for Public Deposits	**39 438 048**	17 917 262	**–**	–
South African Bank Note Company (RF) Proprietary Limited	**–**	5 199	**–**	–
SA government	**–**	25 413 861	**–**	–
South African Mint Company (RF) Proprietary Limited	**2 173**	66	**–**	66
Amounts due to related parties				
Corporation for Public Deposits	**38 350 531**	17 315 573	**38 350 531**	17 315 573
South African Bank Note Company (RF) Proprietary Limited	**705 804**	602 167	**–**	5 199
SA government	**483 337 291**	628 370 323	**401 982 017**	556 528 411
GEFCRA	**315 584 260**	436 062 044	**315 584 260**	436 062 044
Deposits				
Non-interest-bearing	**44 950 153**	53 094 253	**44 877 568**	53 021 668
Interest-bearing	**122 440 093**	138 926 731	**41 157 404**	67 157 404
Other liabilities	**362 785**	287 295	**362 785**	287 295
South African Mint Company (RF) Proprietary Limited	**383 886**	4 787	**2 173**	–
South African Reserve Bank Retirement Fund	**6 457**	5 673	**–**	–

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2021

34. RELATED PARTY INFORMATION continued

34.5 TRANSACTIONS BETWEEN THE SARB AND ITS RELATED PARTIES

	GROUP		SARB	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Dividend received	**(200)**	1 400 200	**(200)**	1 400 200
Corporation for Public Deposits[1]	**(200)**	200	**(200)**	200
South African Mint Company (RF) Proprietary Limited	**–**	1 400 000	**–**	1 400 000
Dividend paid	**(200)**	1 400 200	**(200)**	–
Corporation for Public Deposits[1]	**(200)**	200	**(200)**	–
South African Mint Company (RF) Proprietary Limited	**–**	1 400 000	**–**	–
Interest revenue	**3 209 619**	3 874 324	**1 864**	1 171
African Bank Limited (equity accounted not consolidated)	**664**	913	**899**	913
Corporation for Public Deposits	**1 313 714**	876 623	**965**	258
SA government	**1 895 241**	2 996 788	**–**	–
Interest expense	**5 238 002**	6 306 990	**1 266 606**	772 554
African Bank Limited (equity accounted not consolidated)	**304**	221	**89**	221
Corporation for Public Deposits	**1 267 482**	772 591	**1 266 517**	772 333
South African Bank Note Company (RF) Proprietary Limited	**40 522**	72 022	**–**	–
SA government	**3 923 984**	5 430 146	**–**	–
South African Mint Company (RF) Proprietary Limited	**4 924**	31 368	**–**	–
South African Reserve Bank Retirement Fund	**786**	642	**–**	–
Rent received				
South African Bank Note Company (RF) Proprietary Limited	**1 260**	1 466	**–**	–
Rent paid				
South African Bank Note Company (RF) Proprietary Limited	**1 260**	1 466	**1 260**	1 466
Admin and management fees received	**37 723**	38 333	**9 213**	9 780
Corporation for Public Deposits	**3 443**	3 311	**3 443**	3 311
South African Bank Note Company (RF) Proprietary Limited	**26 263**	25 514	**1 063**	1 514
South African Mint Company (RF) Proprietary Limited	**4 021**	5 298	**711**	745
South African Reserve Bank Retirement Fund	**3 996**	4 210	**3 996**	4 210
Admin and management fees paid	**33 727**	34 123	**28 510**	28 553
Corporation for Public Deposits	**3 443**	3 311	**–**	–
South African Bank Note Company (RF) Proprietary Limited	**26 263**	25 514	**25 200**	24 000
South African Mint Company (RF) Proprietary Limited	**4 021**	5 298	**3 310**	4 553
Other income	**1 768 016**	1 716 434	**641**	594
African Bank Limited (equity accounted not consolidated)	**641**	594	**641**	594
South African Bank Note Company (RF) Proprietary Limited	**1 121 126**	1 247 879	**–**	–
South African Mint Company (RF) Proprietary Limited	**646 249**	467 961	**–**	–
Cost of new currency	**1 767 375**	1 715 840	**1 767 375**	1 739 840
South African Bank Note Company (RF) Proprietary Limited	**1 121 126**	1 247 879	**1 121 126**	1 271 879
South African Mint Company (RF) Proprietary Limited	**646 249**	467 961	**646 249**	467 961
Pension fund contributions				
South African Reserve Bank Retirement Fund	**259 510**	249 463	**231 087**	222 064

All other significant balances are shown in the statement of financial position under the appropriate headings.

1 Due to the solvency and going-concern issues noted in the CPD's 2020 Annual Financial Statements, it was recommended that the dividend be rescinded. The CPD Board approved the withdrawal of the dividend and requested repayment from the shareholder (SARB).

34. RELATED PARTY INFORMATION continued

34.6 DIRECTORS' REMUNERATION

	GROUP		SARB	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Paid by SARB				
Executive directors: Remuneration				
Governor E L Kganyago				
Remuneration and recurring fringe benefits	**8 040**	7 707	**8 040**	7 707
Other fringe benefits	**87**	147	**87**	147
	8 127	7 854	**8 127**	7 854
Deputy Governor A D Mminele (term ended 30 June 2019)				
Remuneration and recurring fringe benefits	**–**	1 342	**–**	1 342
Other fringe benefits	**–**	14	**–**	14
Severance (including cooling-off period payment up to 31 December 2019)	**–**	2 928	**–**	2 928
Fringe benefits 2020 restated(1)	**–**	8 605	**–**	8 605
	–	12 889	**–**	12 889
Deputy Governor F E Groepe (resigned 31 January 2019)				
Severance (including cooling-off period payment up to 31 July 2019)	**–**	7 308	**–**	7 308
Fringe benefits 2020 restated(1)	**–**	127	**–**	127
	–	7 435	**–**	7 435
Deputy Governor K Naidoo				
Remuneration and recurring fringe benefits	**5 743**	5 506	**5 743**	5 506
Other fringe benefits	**2**	2	**2**	2
	5 745	5 508	**5 745**	5 508
Deputy Governor N Tshazibana (appointed 01 August 2019)				
Remuneration and recurring fringe benefits	**5 743**	3 733	**5 743**	3 733
Other fringe benefits	**16**	7	**16**	7
	5 759	3 740	**5 759**	3 740
Deputy Governor R I Cassim (appointed 01 August 2019)				
Remuneration and recurring fringe benefits	**5 733**	3 725	**5 733**	3 725
Other fringe benefits	**92**	16	**92**	16
	5 825	3 741	**5 825**	3 741
Total remuneration of executive directors	**25 456**	41 167	**25 456**	41 167
Non-executive directors: Remuneration for services				
B W Smit (term ended 1 August 2019)	**–**	157	**–**	157
C B du Toit	**474**	455	**474**	455
F Cachalia	**648**	607	**648**	607
G M Ralfe (term ended 1 August 2020))	**204**	562	**204**	562
L H Molebatsi	**575**	480	**575**	480
N Vink	**455**	401	**455**	401
R J G Barrow (term ended 1 August 2020)	**786**	1 186	**228**	629
R le Roux (term ended 1 August 2020)	**163**	433	**163**	433
T Nombembe	**640**	528	**640**	528
Y G Muthien	**559**	528	**559**	528
Z Hoosen	**565**	328	**565**	328
D J M S Msomi (Appointed 01 July 2020)	**395**	–	**395**	–
M M T Ramano (Appointed 01 August 2020)	**338**	–	**338**	–
N B Mbazima (Appointed 01 August 2020)	**336**	–	**336**	–
S Gaibie (Appointed 01 August 2020)	**284**	–	**284**	–
Total remuneration of non-executive directors	**6 440**	5 665	**6 864**	5 108
Chairs: Retirement fund				
D Konar (term ended 31 July 2020)	**71**	166	**71**	166
T Khangala (Appointed 01 August 2020)	**131**	–	**131**	–
Total remuneration of chairs of retirement fund	**202**	166	**202**	166
Total remuneration of directors	**32 080**	46 998	**31 522**	46 441

1 An amount of fringe benefit payout for DG A D Mminele and DG F E Groepe was paid in the 2020 financial year end but only confirmed after year end and could not be reported in the prior year.

Independent auditors' report to the shareholders of the South African Reserve Bank on the Prudential Authority

OPINION

We have audited the accompanying financial statements of the Prudential Authority ("PA"), which comprise the statement of financial position as at 31 March 2021, and the statement of profit or loss for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements of the PA for the year ended 31 March 2021 are prepared, in all material respects, in accordance with the basis of accounting described in Note 1 to the financial statements and the requirements of section 55 of the Financial Sector Regulation Act No.9 of 2017.

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 *Auditors' 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 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 are independent of the PA in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

EMPHASIS OF MATTER – BASIS OF ACCOUNTING

We draw attention to Note 1 to the financial statements, which describes the basis accounting. The financial statements are prepared for the purpose described therein. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and presentation of the financial statements in accordance with the basis of accounting described in Note 1 to the financial statements and the requirements of section 55 of the Financial Sector Regulation Act No.9 of 2017 for determining that the basis of preparation is acceptable in the circumstances and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S 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 auditors' 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.

Independent auditors' report to the shareholders of the South African Reserve Bank on the Prudential Authority continued

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism 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 PA's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, and related disclosures made by directors.
- 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.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Vincent Tshikhovhokhovho

Registered Auditor
4 Lisbon Lane,
Johannesburg, South Africa

14 June 2021

SizweNtsalubaGobodo Grant Thornton Inc.

SizweNtsalubaGobodo Grant Thornton Inc.
Director: Pravesh Hiralall

Registered Auditor
20 Morris Street East
Johannesburg, South Africa

14 June 2021

Prudential Authority annual financial statements

The PA is the regulator responsible for setting policy and prudential regulatory requirements and supervisor responsible for overseeing compliance with the regulatory requirements of financial institutions that provide financial products, securities services and market infrastructures in South Africa. Established on 1 April 2018 in terms of the FSR Act, the PA is a juristic person operating within the administration of the SARB. Refer to the SARB Annual Report on the Prudential Authority which can be found at https://www.resbank.co.za/Publications/Reports/Pages/Annual-Reports.aspx for more detail.

BASIS OF PREPARATION

In terms of section 55 of the FSR Act, the SARB is required to prepare financial accounts for the PA for each financial year in a manner that reflects the direct costs that accrue to the PA. As the PA is a department within the SARB, it follows the same Financial Reporting Framework and basis of presentation as the SARB. Refer to note 1 for more detail.

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2021

	Notes	PRUDENTIAL AUTHORITY 2021 R'000	2020 R'000
Assets			
Other assets		**21 808**	73 194
Total assets		**21 808**	73 194
Liabilities			
Amounts due to insurance companies		**152**	98
Other liabilities		**7 916**	2 221
Unclaimed balances		**13 740**	70 875
Total liabilities		**21 808**	73 194

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 R'000	2020 R'000
Operating income		**11 007**	6 719
Levies	1	**–**	–
Fees	2	**10 642**	6 541
Penalties	3	**–**	25
Other operating income		**365**	153
Expenditure		**(374 556)**	(338 737)
Personnel costs	4	**(277 624)**	(246 353)
Operational costs	4	**(96 932)**	(92 385)
Amount funded by SARB	5	**363 549**	332 018
Net loss before taxation		**–**	–

1. **Levies** will be charged once the new Financial Sector Levies Bill (Levies Bill) is promulgated to collect the necessary levies on the regulated financial institutions, as envisaged in the FSR Act. Levies will serve as the basis to recover the direct operating cost of running the PA and not in return for any direct service or goods that will be supplied.

2. **Fees** are "transaction-based" and are charged to fund the PA's performance of specific functions under the FSR Act and the relevant sector laws it regulates.

3. **Penalties** are raised for non-compliance by persons within the regulated sector should they be found guilty of contravening a financial sector law or an enforceable undertaking accepted by the PA. The PA deducts from this total all costs incurred in making and enforcing the administrative penalty order. The remaining balance after applying this deduction is paid into the National Revenue Fund (if any). The SARB also has a responsibility in terms of the Financial Intelligence Centre Act 38 of 2001 Act (FIC Act) to ensure that banks and life insurance companies comply with the FIC Act. The SARB has authority in terms of the Section 45C of the FIC Act to impose administrative sanctions on these entities if and when they fail to comply with a provision, order, determination or directive made in terms of this act. The SARB issues notices with the said penalties to the relevant entities but does not account for the penalties in its financial statements as the penalties imposed are paid directly to the NRF. Total penalties issued on behalf of the SA government in this regard amounted to R0.2 million (2020: R1.0 million).

4. **Personnel and operating costs** consist of only the direct costs related to the administration of the PA. Although the PA uses the various support departments of the SARB and incurs costs from these services (such as legal services, IT, risk management, compliance, internal audit, HR, international economic relations and policy, security and facilities) these costs are borne by the SARB.

	PRUDENTIAL AUTHORITY	
	2021 R'000	2020 R'000
Operating costs include:	**96 932**	92 385
Travel expenses (foreign and local)	**75**	14 970
Official functions	**287**	3 119
Professional fees	**91 269**	65 148
Training cost (foreign and local)	**1 602**	4 501
Membership fees	**2 095**	1 833
Other operating costs	**1 604**	2 814

5. **Amount funded by SARB** consists of both direct and indirect expenses (net of recoveries) borne by the SARB for the administration of the PA.

Abbreviations

ABHL: African Bank Holdings Limited

ABL: African Bank Limited

AGM: annual Ordinary General Meeting

AI: Artificial intelligence

BIS: Bank for International Settlements

BREC: Board Risk and Ethics Committee

CA: Combined assurance

CFO: Chief Financial Officer

CLF: Committed liquidity facility

CPD: Corporation for Public Deposits

CPD Act: Corporation for Public Deposits Act 46 of 1984

ECL: Expected credit loss

ex officio: By virtue of one's position or status (Latin)

FEC: Forward exchange contract

FSR: Financial Stability Review

FSR Act: Financial Sector Regulation Act 9 of 2017

FVOCI: Fair value through other comprehensive income

FVPL: Fair value through profit or loss

GEC: Governors' Executive Committee

GFECRA: Gold and Foreign Exchange Contingency Reserve Account

I&T: Information and technology

IAD: Internal Audit Department

IAS: International Accounting Standard

IAS 39: IAS 39 Financial Instruments: Recognition and Measurement

i.e.: id est (that is to say) (Latin)

IFRIC: International Financial Reporting Interpretations Committee

IFRS: International Financial Reporting Standards

IFRS 7: IFRS 7 Financial Instruments Disclosures

IFRS 9: IFRS 9 Financial Instruments

IFRS 16: IFRS 16 Leases

IGCC: Inter-Governmental Cash Coordination

IMF: International Monetary Fund

Inc.: Incorporated

IOSROs: Intraday Overnight Supplementary Repurchase Operations

IRBA Code: Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors

King IV: King Report on Corporate Governance in South Africa 2016

Moody's: Moody's Investors Services

MPC: Monetary Policy Committee

OCI: Other comprehensive income

PA: Prudential Authority

PEB remeasurement reserve: Post-employment benefit remeasurement reserve

PPE revaluation reserve: Property, plant and equipment revaluation reserve

Prestige Bullion: Prestige Bullion (RF) Proprietary Limited

PWC: PricewaterhouseCoopers

Repo: Repurchase agreements

Repo rate: Repurchase rate

Abbreviations continued

RF: Ring Fenced

SA government: South African government

SABN: South African Bank Note Company (RF) Proprietary Limited

SARB Act: South African Reserve Bank Act 90 of 1989, as amended

SARB debentures: South African Reserve Bank debentures

SDR: Special Drawing Rights

SICR: Significant increase in credit risk

SNG Grant Thornton: SizweNtsalubaGobodo Grant Thornton Inc.

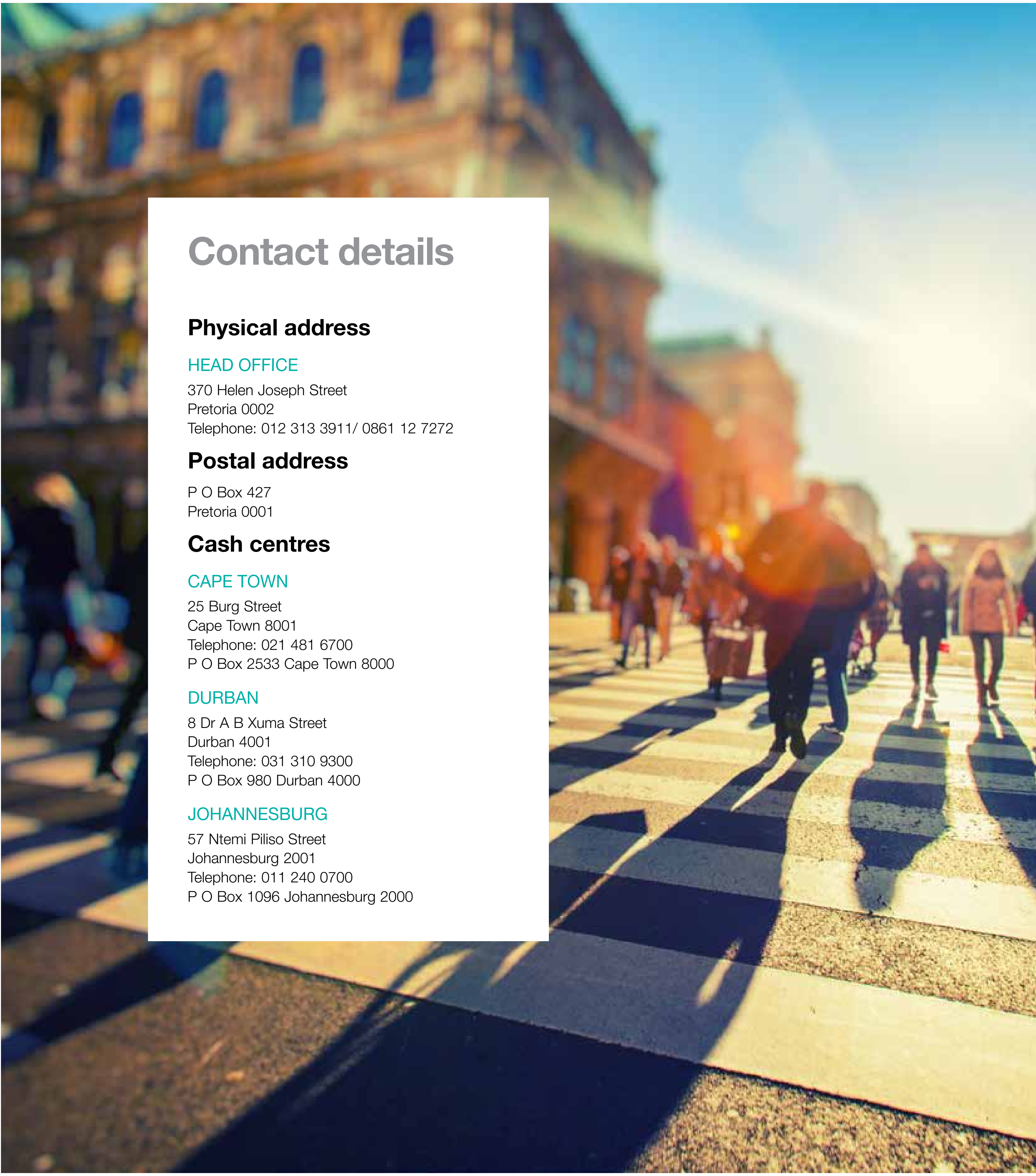
South African Mint: South African Mint Company (RF) Proprietary Limited

SPPI: Solely payments of principal and interest

the Board: Board of Directors of the SARB

the Group: South African Reserve Bank Group, including its subsidiaries

the SARB: The South African Reserve Bank



Contact details

Physical address

HEAD OFFICE

370 Helen Joseph Street
Pretoria 0002
Telephone: 012 313 3911/ 0861 12 7272

Postal address

P O Box 427
Pretoria 0001

Cash centres

CAPE TOWN

25 Burg Street
Cape Town 8001
Telephone: 021 481 6700
P O Box 2533 Cape Town 8000

DURBAN

8 Dr A B Xuma Street
Durban 4001
Telephone: 031 310 9300
P O Box 980 Durban 4000

JOHANNESBURG

57 Ntemi Piliso Street
Johannesburg 2001
Telephone: 011 240 0700
P O Box 1096 Johannesburg 2000

WWW.RESBANK.CO.ZA