

I, the undersigned,

**Gerhard Johan Terblanche,**

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do hereby make oath and say that –

1. I am an adult male with Identity Number 5007265052084, residing at 649 Werd Street, Garsfontein.
2. The facts contained in this affidavit are within my own personal knowledge and are, to the best of my belief, both true and correct.
3. I hold the BCom (Accounting) and BCompt (Hons) degrees and am a chartered accountant who joined the South African Reserve Bank ("SARB") on 1 December 1989, after a career in the private sector in auditing and financial management. I was initially appointed as Financial Manager in the Financial Services Department of the SARB ("FSD") and in July 1990 became Head of FSD and Chief Financial Officer of the SARB, ultimately responsible for its financial administration until my retirement from the service of the SARB on 31 July 2010.
4. In my aforementioned capacity I had full access to the official financial records of the SARB and they were kept in the FSD under my management and control during my period of service. I was recently again given access to such records for purposes of this statement.
5. During my term of service with the SARB I was responsible for the financial administration, on behalf of the SARB, of a confidential central bank loan of

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R1,5 billion provided by the SARB to Bankorp/ABSA. According to my knowledge this loan was the subject of three consecutive written agreements, namely, an agreement between the SARB (signed on 4 & 5 September 1991) and Banbol (Edms) Bpk; Bankorp Beperk; Sankorp Beperk and Bankorp Beherend Beperk (hereinafter referred to as Agreement 1); an agreement between the SARB (signed on 29 April and 10 March 1994) and ABSA Bank Beperk; Sankorp Beperk; Banbol (Edms) Bpk; Bankorp Beherend Beperk and Bankorp Beperk (hereinafter referred to as Agreement 2) and an agreement between the SARB (signed on 20 June and 13 July 1995) and ABSA and Sankorp Beperk (hereinafter referred to as Agreement 3). These agreements form part of the official records of the FSD.

6. Salient features of Agreement 1 were that it confirmed that the SARB had loaned an amount of R1 billion to Banbol/Bankorp, of which R600 million had been utilised to purchase government bonds and R400 million invested with the SARB at an interest rate of 16 per cent per annum. An additional amount of R500 million was also loaned by the SARB to Bankorp, which amount was to be utilised to further purchase government bonds in the name of Bankorp. All the rights of Bankorp/Banbol to all the government bonds and the deposit with the SARB were ceded to the SARB as collateral for the loans. The loans provided by the SARB were at an interest rate of 1 per cent per year and Bankorp, as owner of the government bonds, was entitled to the interest earned on the bonds and on the deposit (which would not be more or less than R225 million per annum - being some 15 per cent interest on R1,5 billion). The total amount of the interest to be earned by Bankorp was however capped at R1 125 million.
7. In terms of Agreement 2, ABSA, with effect from 1 April 1992, legally replaced Bankorp as a party and proverbially stepped into its shoes as a counterparty to the SARB in the stead of Bankorp. It was again confirmed that the total amount of the assistance provided by the SARB (which is not to be confused with the capital amount of the R1,5 billion loan, but rather the interest earned thereon) would be limited to R1 125 million and that the agreement would

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terminate once that amount had been reached. On termination of the assistance ABSA needed to repay the amount of the loan and this would occur by applying set-off in respect of its R400 million deposit held with the SARB and by selling its government bonds and paying the proceeds over to the SARB. In the event that the proceeds of the government bonds exceeded R1 100 million, the excess would be for the benefit of the SARB.

8. Agreement 3 provided for the SARB, with effect from 1 June 1995, by means of set-off to acquire all the rights to the R400 million deposit from ABSA and for the SARB (also by means of set-off) to purchase all the ABSA/Bankorp government bonds held by the SARB as security, at a purchase price of R1,1 billion. The amount of R1,1 billion was henceforth to be held on deposit with the SARB at an interest rate of 16 per cent payable to ABSA, until the overall financial assistance limit of R1 125 million was reached.
9. The financial administration of the loans was conducted by the FSD in accordance with the above agreements. Attached for your information please find copies of sets of documents marked **Annexure A** and **Annexure B**, respectively. These constitute copies of the SARB's official ledger accounts where the above loans and their payments and repayments as envisaged in terms of the agreements were reflected in the financial records of the SARB.
10. Included in **Annexure A** is a document with the heading "Spesiale Hulp Bankorp". This document was drawn up by me at the time to indicate how the payments of the financial assistance provided by the SARB in terms of the said agreements were managed over the period from 31 August 1990 to 21 October 1995. On the latter date the financial assistance limit of R1 125 million was reached and the assistance terminated. Seen from the left, column 1 reflects the interest earned by Bankorp/ABSA on their government bonds payable by the Government, column 2 reflects the interest payable by the SARB on a monthly basis, column 3 the interest payable by Bankorp/ABSA on the loan and column 4 the amount paid over by the SARB

*[Signature]*  
PKN 81

every six months in order to ensure that ABSA received no less than the R225 million per annum interest referred to in 6 above.

11. Once the SARB had become the owner of the government bonds, after they had been acquired by the SARB from ABSA as envisaged in Agreement 3, they formed part of the Bank's own bond portfolio and were dealt with in the normal course of business together with other bonds owned by the SARB. Calculations done at the time showed that a profit of R124 381 872 had been realised on these bonds and this was reflected in the SARB's 1995/6 financial results. The terms of the agreements specified that any such excess amount was to be retained by the SARB and was not payable to ABSA. The deposit of R400 million, constituting a claim in favour of ABSA, was also by means of set-off expunged. Thus, the total loan amount of R1,5 billion provided by the Bank was repaid (including interest of 1 per cent thereon) and the Bank realised a profit of R124 381 872 on the bonds, effectively recouping some of the cost of the assistance in the form of the interest provided.
12. The above transactions were in accordance with generally accepted accounting standards in respect of central banks, prevalent at the time, reflected in the audited financial statements of the SARB. Although for reasons of confidentiality (related to central bank assistance of this nature to banks) the amounts are not specifically identified, they are reflected in the figures stated in the audited Annual Financial Statements of the SARB, for the financial year ended March 1996, approved by the Ordinary General Meeting of Shareholders of the SARB on 27 August 1996 (a copy of these statements are hereby attached for information marked **Annexure C**). On the balance sheet on page 15, under "Liabilities", note the reduction of the figure in the "Deposit accounts" between the financial years 1995 and 1996. In the explanatory note 11 "Deposit accounts" on page 19, note the substantial decrease of the numbers under "Other accounts and deposits". These reductions were mainly as a result of the respective loan account and deposit accounts no longer being in the books of the Bank. In the same vein, in the

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balance sheet on page 15, note the reduction of the figure under "Employment of capital – Loans and advances".

  
GERHARD JOHAN TERBLANCHE

Thus signed and sworn to before me at Pretoria on this the 16<sup>th</sup> day of September 2016, the deponent having acknowledged that the deponent knows and understands the contents of this affidavit, that the deponent has no objection to taking the prescribed oath, that the oath which the deponent has taken in respect thereof is binding on the deponent's conscience, and that the contents of this affidavit are both true and correct.

  
COMMISSIONER OF OATHS

Name: DANIEL JACOBUS CLOETE  
COMMISSIONER OF OATHS  
PRACTISING ATTORNEY R.S.A.  
WEAVING & WEAVING INC  
Address: Block E, Glenfield Office Park  
Cherem Street  
Faerie Glen, Pretoria, 0081  
Capacity: \_\_\_\_\_

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## ANNEXURE A

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an State  
Bijts  
SPEZIALE HULP/BANKORP

Pays Month

6 months  
Capitalist  
on a. f. h. f. r.

DATUM	RENTE VERDIEN OP STAATSEFFEKT	SARB BETAAL MAANDELIKS	BANKORP BETAAL MAANDELIKS	SARB BETAAL 6 MAANDELIKS 30/11 & 30/5 KAPITALISEER MAANDELIKS
90/08/31		4 208 219.18	(557 534.25)	
90/09/30		5 333 333.33	(833 333.33)	
90/10/31		5 333 333.33	(833 333.33)	
90/11/30	42 347 087.50	5 333 333.33	(833 333.33)	3 582 109.24
90/12/31		5 333 333.33	(833 333.33)	
91/01/31		5 333 333.33	(833 333.33)	
91/02/28		5 333 333.33	(833 333.33)	
91/03/31		5 333 333.33	(833 333.33)	
	42 347 087.50	41 541 552.48	(5 490 867.56)	3 582 109.24
91/04/30		5 333 333.33	(833 333.33)	
91/05/31	42 347 087.50	5 333 333.33	(833 333.33)	5 652 912.50
91/06/30		5 333 333.33	(833 333.33)	
91/07/31		5 333 333.33	(833 333.33)	
91/08/31		5 333 333.33	(833 333.33)	
91/09/30		5 000 000.00	(916 666.67)	
91/10/31		5 000 000.00	(916 666.67)	
91/11/30	77 272 087.50	5 000 000.00	(916 666.67)	8 190 412.47
91/12/31		5 000 000.00	(916 666.67)	
92/01/31		5 000 000.00	(916 666.67)	
92/02/29		5 000 000.00	(916 666.67)	
92/03/31		5 000 000.00	(916 666.67)	
	119 619 175.00	61 666 666.65	(10 583 333.34)	13 843 324.87
92/04/30		5 000 000.00	(916 666.67)	
92/05/31	77 272 087.50	5 000 000.00	(916 666.67)	10 727 912.52
92/06/30		5 000 000.00	(916 666.67)	
92/07/31		5 000 000.00	(916 666.67)	
92/08/31		5 000 000.00	(916 666.67)	
92/09/30		5 000 000.00	(916 666.67)	
92/10/31		5 000 000.00	(916 666.67)	
92/11/30	77 272 087.50	5 000 000.00	(916 666.67)	10 727 912.52
92/12/31		5 000 000.00	(916 666.67)	
93/01/31		5 000 000.00	(916 666.67)	
93/02/29		5 000 000.00	(916 666.67)	
93/03/31		5 000 000.00	(916 666.67)	
	154 544 175.00	60 000 000.00	(11 000 000.04)	21 455 825.04
93/04/30		5 000 000.00	(916 666.67)	
93/05/31	77 272 087.50	5 000 000.00	(916 666.67)	10 727 912.52
93/06/30		5 000 000.00	(916 666.67)	
93/07/31		5 000 000.00	(916 666.67)	
93/08/31		5 000 000.00	(916 666.67)	
93/09/30		5 000 000.00	(916 666.67)	
93/10/31		5 000 000.00	(916 666.67)	
93/11/30	77 272 087.50	5 000 000.00	(916 666.67)	10 727 912.52
93/12/31		5 000 000.00	(916 666.67)	
94/01/31		5 000 000.00	(916 666.67)	
94/02/29		5 000 000.00	(916 666.67)	
94/03/31		5 000 000.00	(916 666.67)	
	154 544 175.00	60 000 000.00	(11 000 000.04)	21 455 825.04
94/04/30		5 000 000.00	(916 666.67)	
94/05/31	77 272 087.50	5 000 000.00	(916 666.67)	10 727 912.52
94/06/30		5 000 000.00	(916 666.67)	
94/07/31		5 000 000.00	(916 666.67)	
94/08/31		5 000 000.00	(916 666.67)	
94/09/30		5 000 000.00	(916 666.67)	
94/10/31		5 000 000.00	(916 666.67)	
94/11/30	77 272 087.50	5 000 000.00	(916 666.67)	10 727 912.52
94/12/31		5 000 000.00	(916 666.67)	
95/01/31		5 000 000.00	(916 666.67)	
95/02/29		5 000 000.00	(916 666.67)	
95/03/31		5 000 000.00	(916 666.67)	
	154 544 175.00	60 000 000.00	(11 000 000.04)	21 455 825.04
95/04/30		5 000 000.00	(916 666.67)	
95/05/31	77 272 087.50	5 000 000.00	(916 666.67)	10 727 912.52
95/06/30		20 000 000.00	(1 250 000.00)	
95/07/31		20 000 000.00	(1 250 000.00)	
95/08/31		20 000 000.00	(1 250 000.00)	
95/09/30		20 000 000.00	(1 250 000.00)	
95/10/21		13 808 219.18	(853 013.70)	382 412.89
TOTALE OOR PERIODE	702 870 875.00	387 016 438.32	(57 770 548.05)*	92 883 234.74
				1 125 000 000.00

P.R.N. & J.





SOUTH AFRICAN RESERVE BANK  
SUID-AFRIKAANSE RESERWEBANK  
HEAD OFFICE

STATEMENT/STAAT

1995-10-23 FINAAL

FOR ACCOUNT/VIR REKENING: 0576-711-3

DIE HOOFREKENMEESTER  
POSBUS 427  
PRETORIA  
0001

VOORSKOTREKENING D

	DESCRIPTION/BESKRYWING	B-NO	ITEM	DEBIT/DEBIET	CREDIT/KREDIET
	BROUGHT FORWARD/OORGEBRING 1995-03-31			1,500,000,000.00	
1023	DIVERSE ITEM/S: OORPLASING: REDEMPTION OF FACILITY	0526666	0002		1,500,000,000.00
	CARRIED FORWARD/OORGEDRA			0.00	

PKN

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ADVANCE ACCOUNT D 1995-04-01 TO 1996-03-31

ACC. NO: 0576-711-3

DATE	B/F BALANCE	PAYMENT / DEPOSIT (CR)	INTEREST (DT)	WITHDRAW (DT)	BALANCE
95-03-31	R1 500 000 000.00				R1 500 000 000.00
95-10-23	R1 500 000 000.00	(R1 500 000 000.00)			R0.00

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P/N J.

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SOUTH AFRICAN RESERVE BANK

ICH: CAPE TOWN

ACB MICR CENTRALISED CLEARANCE SETTLEMENT REPORT FOR 8644-1 -

1-04-01 17:37:11

PAGE/BLADSY:1

SOUTH AFRICAN RESERVE BANK  
SUID-AFRIKAANSE RESERWEBANK  
HEAD OFFICE

STATEMENT / STAAT

1995-03-31 FINAL

FOR ACCOUNT/VIR REKENING: 0576-711-3

DIE HOOFREKENMEESTER  
POSBUS 427  
PRETORIA

VOORSKOTREKENING D

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STATEMENT / STAAT

1994-03-31 FINAL

DIE HOOFREKENMEESTER  
POSBUS 427  
PRETORIA  
0001

VOORSKOTREKENING D

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ADVANCE ACCOUNT D 1994-04-01 TO 1995-03-31

ACC. NO: 0576-711-3

DATE	B/F BALANCE	PAYMENT / DEPOSIT (CR)	INTEREST (DT)	WITHDRAW (DT)	BALANCE
95-03-31	R1 500 000 000.00				R1 500 000 000.00

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## ANNEXURE B



1995-10-24 11:57:33

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PAGE/BLADSY:2

SOUTH AFRICAN RESERVE BANK  
SUID-AFRIKAANSE RESERWEBANK  
HEAD OFFICE

STATEMENT/STAAT

1995-10-23 FINAAL

FOR ACCOUNT/VIR REKENING: 0576-712-1

DIE HOOFREKENMEESTER  
POSBUS 427  
PRETORIA  
0001

DEPOSITOREKENING-D

	DESCRIPTION/BESKRYWING	B-NO	ITEM	DEBIT/DEBIET	CREDIT/KREDIET
	BROUGHT FORWARD/OORGEBRING 1995-06-30				1,500,000,000.00
51023	DIVERSE ITEM/S: OORPLASING; REDEMPTION OF FACILITY	0526666	0001	1,500,000,000.00	
	CARRIED FORWARD/OORGEDRA			0.00	

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SOUTH AFRICAN RESERVE BANK  
SUID-AFRIKAANSE RESERWEBANK  
HEAD OFFICE

STATEMENT/STAAT

1995-06-30 FINAAL

FOR ACCOUNT/VIR REKENING: 0576-712-1

DIE HOOFREKENMEESTER  
POSBUS 427  
PRETORIA  
0001

DEPOSITOREKENING D

	DESCRIPTION/BESKRYWING	B-NO	ITEM	DEBIT/DEBIET	CREDIT/KREDIET
	BROUGHT FORWARD/OORGEBRING 1995-03-31				400,000,000.00
0630	BELEGGING:GELDMARKTRANSAKSIES:STOCK PURCHASED ADV D	0524796	0012		1,100,000,000.00
	CARRIED FORWARD/OORGEDRA				1,500,000,000.00

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DEPOSIT ACCOUNT D 1995-04-01 TO 1996-03-31

ACC NO: 0576-712-1

DATE	B/F BALANCE	PAYMENT / DEPOSIT (CR)	INTEREST (DT)	WITHDRAW (DT)	BALANCE
95-03-31	R400 000 000.00				R400 000 000.00
95-06-30	R400 000 000.00	R1 100 000 000.00			R1 500 000 000.00
95-10-28	R1 500 000 000.00			(R1 500 000 000.00)	R0.00
96-03-31	R0.00				R0.00

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P.V.N.

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DEPOSIT ACCOUNT D 1994-04-01 TO 1995-03-31

ACC NO: 0576-712-1

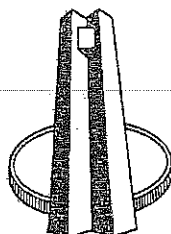
DATE	B/F BALANCE	PAYMENT / DEPOSIT (CR)	INTEREST (DT)	WITHDRAW (DT)	BALANCE
95-03-31	R400 000 000.00				R400 000 000.00

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## ANNEXURE C



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SOUTH AFRICAN RESERVE BANK  
ANNUAL FINANCIAL  
STATEMENTS

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To be presented to shareholders at the ordinary  
general meeting to be held on 27 August 1996

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PKM J.

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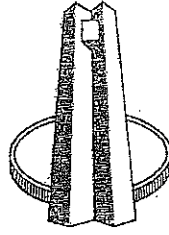
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## DIE EMBLEEM VAN DIE SUID-AFRIKAANSE RESERWEBANK

Die hoofkantoorgebou van die Reserwebank in Pretoria vorm die kern van die Bank se embleem. Die vier grondliggende funksies van die Bank en sy missie word deur die embleem voorgestel. Die kleur daarvan is goud. As gevolg van die monetêre rol wat goud in die wêreldgeskiedenis oor meer as drieduisend jaar gespeel het, word goud beskou as sinoniem met geld, en geld is die besigheid van die Bank.

Die voorgrond bestaan uit die hoofkantoorgebou met sy vier afsonderlike fasades, wat op 'n simboliese wyse die vier hoof funksies van die Bank uitbeeld, naamlik:

- om monetêre beleid te formuleer en toe te pas;
- om die land se geld- en bankstelsel te bestuur;
- om ekonomiese en finansiële dienste aan die Regering te lewer; en
- om ekonomiese en statistiese dienste aan die algemene publiek te lewer.

Die dwarsprofiel naby die bo-punt van die gebou verteenwoordig die uitsigplatform op die boonste verdiepings en beeld die korporatiewe dienste (mannekrag, tegnologie, ens.) uit wat die ondersteunende infrastruktuur aan die lynfunksies bied en wat ook die verskillende bedrywighede van die Bank in 'n glad funksionerende totale organisasie-eenheid saambind. Agter die hoofkantoorgebou lê 'n muntstuk wat die Suid-Afrikaanse geldeenheid verteenwoordig.

Die missie van die Bank, naamlik om die waarde van die rand te beskerm, word simbolies in die embleem beliggaam – die gebou verteenwoordig die Bank en sy funksies wat oor die munt waak en in die proses die waarde van die geldeenheid beskerm.

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## MISSION STATEMENT OF THE SOUTH AFRICAN RESERVE BANK

### Mission

*The South African Reserve Bank is the central bank of the Republic of South Africa. It regards as its primary goal in the South African economic system:*

### THE PROTECTION OF THE VALUE OF THE RAND

*The Reserve Bank believes it is essential that South Africa has a vigorous economy based on the principles of a free market system, private initiative and effective competition. It recognises, in the performance of its duties, the need to pursue balanced economic growth.*

### Functions

*The Reserve Bank assumes, in pursuance of its goal and realisation of its philosophy, responsibility for:*

- assisting the South African Government, as well as other members of the economic community of Southern Africa, in the formulation and implementation of macro-economic policy;
- formulating and implementing monetary policy in such a way that the primary goal of the Reserve Bank will be achieved in the interests of the whole community which it serves;
- ensuring that the South African money and banking system as a whole is sound, meets the requirements of the community and keeps abreast of developments in international finance; and
- informing the South African community and all interested parties abroad about monetary policy specifically, and the South African economic situation in general.

### Business philosophy

*The Reserve Bank accepts* that the credibility of its policy and actions is a prerequisite for the attainment of its goals and that such credibility can only be achieved and maintained through independent action, firmness of principle, resoluteness and fixed intent. The Bank furthermore believes that fairness in its judgement and in its actions is essential.

*The Reserve Bank ensures*, through the application of modern management practices and technology, that all its activities are conducted at the lowest possible cost. Where appropriate, the Bank is guided by the profit motive.

### Personnel philosophy

*The Reserve Bank believes* that its employees should find working for the Bank a stimulating and personally enriching experience, and consequently accepts co-responsibility for the development of each employee to his or her full potential. Career progress is based on the contribution made by the individual towards the fulfilment of the responsibilities of the Bank and therefore initiative, innovative thinking and professional expertise are deliberately developed and rewarded.

*The Reserve Bank believes* in equal opportunities for all, irrespective of ethnicity, colour, gender or religion.

*The Reserve Bank accepts* that only through the loyalty and dedication of its employees, will the Bank be able to achieve its goal and fulfil its aims.

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## BOARD OF DIRECTORS

### Directors

The following served as directors of the Bank during the financial year:

Christian Lodewyk Stals

*Governor*

Barend Petrus Groenewald\* (*retired w.e.f. 1995-08-01*)

*Senior Deputy Governor*

Christiaan Jacobus de Swardt\*

Jacob Hendrik Meijer

*Deputy Governors*

Brian Patrick Gilbertson (*reappointed w.e.f. 1995-11-01*)

*Represents: Government*

Gerald William Gaylard Browne\*

Johannes Gerhardus van der Horst

Deenadayalen Konar\*

Izak Johannes Moolman\* (*reappointed w.e.f. 1995-07-01*)

*Represent: Commerce or Finance*

Johannes Jacobus Fourie (*reappointed w.e.f. 1995-07-01*)

*Represents: Agriculture*

William Francois de la Harpe Beck

Marius Theodorus de Waal

*Represent: Industry*

The following changes took place since 1 April 1996:

Jacob Hendrik Meijer (*retired w.e.f. 1996-04-30*)

Timothy Thahane Thahane (*appointed w.e.f. 1996-04-01*)

*Deputy Governors*

Bax Dale Nomveti (*appointed w.e.f. 1996-05-01*)

Mahavishnu Padayachee (*appointed w.e.f. 1996-05-01*)

*Represent: Government*

Direct and indirect shareholding of directors on 31 March 1996 were as follows:

	Number of shares
Direct shareholding	1 100
Indirect shareholding	500
	1 600

\* Members of audit committee

## NOTICE OF ORDINARY GENERAL MEETING 1996

Notice is hereby given that the seventy-sixth ordinary general meeting of the shareholders will be held at the head office of the South African Reserve Bank, 370 Church Street, Pretoria, on Tuesday, 27 August 1996, at 09:00.

### Agenda

- (1) To receive the annual financial statements and reports of the Board of directors and the auditors for the year ended 31 March 1996.
- (2) To elect shareholders' representatives on the Board of directors.
- (3) To determine the remuneration of the auditors for the past audit, and to appoint auditors for the 1996/97 financial year.
- (4) To transact any other business to be transacted at an annual general meeting.

In terms of section 23(1) of the South African Reserve Bank Act, No. 90 of 1989, no shareholder is entitled to vote at an ordinary general meeting unless the shareholder has been the registered holder of shares for not less than six months prior to the date of the meeting and is ordinarily resident in the Republic.

Shareholders who are unable to attend the meeting in person may use the enclosed proxy form. All proxies must be deposited at the head office of the Bank in Pretoria at least twenty-four hours prior to the meeting.

*By order of the Board*

J.J. Rossouw

*Secretary*

Pretoria

26 July 1996

## SHAREHOLDERS' CALENDAR

### Dividends

	Declared	Paid
Interim	2 October 1995	10 November 1995
Final	1 April 1996	10 May 1996

Date and time of ordinary general meeting in Pretoria: 27 August 1996  
at 09:00

*PKN*

## SOUTH AFRICAN RESERVE BANK

## REPORT OF THE INDEPENDENT AUDITORS

To the members of the South African Reserve Bank

We have audited the annual financial statements set out on pages 10 to 21.

We conducted our audit in accordance with generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance that, in all material respects, fair presentation is achieved in the financial statements. An audit includes an evaluation of the appropriateness of the accounting policies, an examination, on a test basis, of evidence supporting the amounts and disclosures included in the financial statements, an assessment of the reasonableness of significant estimates and a consideration of the appropriateness of the overall financial statement presentation. We consider that our audit procedures were appropriate in the circumstances to express our opinion presented below.

In our opinion these financial statements fairly present the financial position of the Bank at 31 March 1996, and of the results of its operations for the year then ended in the manner required by the South African Reserve Bank Act, No. 90 of 1989, and the regulations thereunder.

Deloitte & Touche

Coopers & Lybrand

*Joint Auditors*

Pretoria

24 May 1996

Q/b j.

PKN

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SOUTH AFRICAN RESERVE BANK

DIRECTORS' REPORT FOR THE YEAR  
ENDED 31 MARCH 1996

The directors present their seventy-sixth annual report which forms part of the audited financial statements of the Bank for the year ended 31 March 1996.

Introduction to the annual financial statements

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

The annual financial statements set out in this report have been prepared by management in accordance with generally accepted accounting practices as far as they are applicable to a central bank. They include full and responsible disclosure and are based on appropriate accounting policies which have been consistently applied and which are supported by reasonable and prudent judgements and estimates.

The composition of the audit committee, including executive and non-executive directors, is shown on page 7. The external auditors have free access to this committee. The audit committee meets periodically with management and the external auditors to review the financial statements and accounting policies, the effectiveness of management information and other systems of internal control, the effectiveness of the internal audit function and to discuss the auditors' findings and recommendations. The joint external auditors are appointed each year by the shareholders based on the recommendations of the audit committee and the Board of directors.

The internal audit function, which reports to a Deputy Governor, is an independent appraisal function to examine and evaluate the Bank's activities and resultant business risks. Its objective is to assist members of the executive management in the effective discharge of their responsibilities. The scope of the internal audit function includes reviews of the reliability and integrity of financial and operating information, the systems of internal control, the means of safeguarding assets, the efficient management of the group's resources, and the effective conduct of its operations. The head of internal audit has the responsibility of reporting to the audit committee and has unrestricted access to its chairperson.

To fulfil its responsibilities, management maintains adequate accounting records and has developed and continues to maintain an

effective system of internal controls. Your directors report that the Bank's internal controls and systems are designed to provide reasonable but not absolute assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability of its assets and to prevent and detect material errors and fraud. Nothing has come to the attention of your directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review. The auditors concur with the opinion of the directors.

The systems of internal financial control, designed to prevent material misstatement of financial statement information or loss of assets, are based on organisational structures and written policies and procedures, including budgeting and forecasting disciplines and the comparison of actual results against these budgets and forecasts. The auditors have satisfied themselves, in performing their normal procedures in respect of internal control, that these systems and procedures are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties and by comprehensive use of advanced computer hardware and software technologies. Employees are required to maintain the highest ethical standards in ensuring that business practices are conducted in a manner which in all reasonable circumstances is above reproach.

#### Nature of business

The nature of the Bank's activities is that of the central bank of the Republic of South Africa with the following main functions:

- to formulate and implement monetary policy;
- to manage the money and banking system of the country;
- to provide economic and financial services to the Government; and
- to provide economic and statistical services to the general public.

The subsidiaries of the Bank are involved in the following activities:

- Corporation for Public Deposits receives call deposits from public entities;
- South African Bank Note Company (Pty) Ltd produces South African banknotes; and
- South African Mint Company (Pty) Ltd produces coin.

*[Handwritten signatures and initials]*  
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## Financial results

The income statement appears on page 14.

All remaining profits, after transfers to reserves and dividends paid, are paid to the Government in terms of the South African Reserve Bank Act. Amounts paid and due in terms of the Act over the past two years were as follows:

	R'000
31 March 1996	129 437
31 March 1995	98 436

## Dividends

The directors approved a final dividend of five cents per share in terms of the Reserve Bank Act which, together with the interim dividend paid, amounted to ten cents per share for the year.

## Fixed assets

The new building in Johannesburg, which accommodates the Johannesburg branch of the Bank and the settlement office of the Bank's Money and Capital Market Department, was completed during the year at a total cost of R120 million.

Another significant project which has been completed is the upgrading of the Bank's building in Cape Town, at an estimated cost of R40 million.

Full provision for financing planned capital expenditure has been made by way of transfers to the fixed property and equipment reserve.

## Directors

Dr M.T. de Waal and Dr G.W.G. Browne, whose terms of office as shareholders' representatives expired on 30 June 1996, as well as Dr D. Konar whose term expires on 31 August 1996, being eligible for reappointment, offer themselves for re-election.

There is presently one vacancy on the Board for a Deputy Governor.

*PKM*

## Subsidiaries

The following information relates to the Bank's financial interest in its subsidiaries:

	Authorised and issued share		Indebtedness			
	capital		Shares at		to/(by)	
	Number	Percentage	cost		Reserve Bank	
	of shares '000	held %	1996 R'000	1995 R'000	1996 R'000	1995 R'000
Corporation for Public Deposits	2 000	100	2 000	2 000	40 567	(44 592)
South African Mint Company (Pty) Ltd	60 000	100	60 000	60 000	251 213	247 505
South African Bank Note Company (Pty) Ltd	61 000	100	61 000	61 000	12 218	12 218

## Secretary

J.J. Rossouw

Business address:

370 Church Street

Pretoria

0002

Postal address:

PO Box 427

Pretoria

0001

The financial statements were approved by the Board of directors and are signed on its behalf by:

C.L. Stals

Governor

C.J. de Swardt

Deputy Governor

G.W.G. Browne

M.T. de Waal

Directors

24 May 1996

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# SOUTH AFRICAN RESERVE BANK

## INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 1996

		1996	1995
	Notes	R'000	R'000
Net profit before taxation	2	578 228	202 700
Taxation	3	194 350	7 006
Net profit after taxation		383 878	195 694
Transfer (to)/from reserves	4	(239 859)	(86 121)
Net profit after transfer (to)/from reserves		144 019	109 573
Dividends paid	5	200	200
Amount available for appropriation		143 819	109 373
Transfer to Government	6	129 437	98 436
Transfer to statutory reserve		14 382	10 937
Statutory reserve fund at beginning of the year		140 584	129 647
Statutory reserve fund at end of the year		154 966	140 584
Dividends per share (cents)	5	10,0	10,0

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## SOUTH AFRICAN RESERVE BANK

## BALANCE SHEET AS AT 31 MARCH 1996

		1996	1995
	Notes	R'000	R'000
<b>Capital and reserves</b>			
Share capital	7	2 000	2 000
Statutory reserve fund	8	154 966	140 584
Distributable reserves	9	858 126	677 000
		<u>1 015 092</u>	<u>819 584</u>
<b>Liabilities</b>			
Notes and coin in circulation	10	18 165 874	16 304 421
Deposit accounts	11	9 474 147	11 548 945
Foreign loans		0	3 671 161
Creditors and provisions		423 011	138 148
		<u>29 078 124</u>	<u>32 482 259</u>
<b>Employment of capital</b>			
Fixed assets	12	0	0
Investments	13	429 023	340 156
Loans and advances		1 133 087	2 881 435
Gold and foreign exchange contingency reserve account	14	0	4 147 137
Gold and foreign exchange	15	13 992 496	12 023 314
Accommodation to banks		4 709 789	2 880 432
Financial instruments	16	7 525 256	8 513 801
Debtors, cash and other accounts		1 176 715	1 389 591
Prepaid taxation		111 758	306 393
		<u>29 078 124</u>	<u>32 482 259</u>

SOUTH AFRICAN RESERVE BANK

NOTES TO THE FINANCIAL STATEMENTS  
AS AT 31 MARCH 1996

1. Accounting policies

The financial statements are prepared in accordance with the historical cost convention, as modified by the revaluation of certain investments to fair values and incorporate the following accounting policies which are consistent with those of the previous year.

As far as is considered appropriate for a central bank, these financial statements have been prepared in accordance with generally accepted accounting practices.

1.1 Basis of consolidation

The subsidiaries' financial statements have not been consolidated with those of the Bank because the directors are of the opinion that the activities of the subsidiaries are significantly different from those of the Bank. Selected financial information of the subsidiaries is reflected on a separate statement included with these financial statements.

1.2 Investments

Locally registered stock and related derivative financial instruments which are held as trading portfolios are valued at fair value. Other investments are valued at cost.

1.3 Fixed assets and depreciation

Fixed assets acquired are written off against the fixed property and equipment reserve in the year of acquisition. Adequate allocations to cover expected capital expenditure are periodically transferred to the reserve from the income statement.

1.4 Gold coin and bullion

Gold coin and bullion are valued at 90 percent of the average of the last ten gold price fixings determined on the London gold market before the year-end.

1.5 Foreign currency activities

Assets and liabilities in foreign currencies are converted to rand at the rates ruling at the close of the financial year. Exchange profits and losses are for the account of the Government and are charged to the gold and foreign exchange contingency reserve account.

1.6 Deferred taxation

Deferred taxation is provided using the liability method. Full provision is made for all timing differences which are expected to give rise to a tax liability within the foreseeable future. Deferred tax assets are not raised.

	1996 R'000	1995 R'000
2. Operating profit		
<i>Operating profit is stated after charging:</i>		
Interest paid	497 179	536 961
Unrealised loss on revaluation of financial instruments	0	200 216
Directors' remuneration	2 823	2 976
Auditors' remuneration	874	810
- audit fee	849	788
- audit expenses	25	22
<i>and after crediting:</i>		
Income from investments		
Dividends from foreign investments	6 328	5 224
Unrealised profit on revaluation of financial instruments	234 040	0
Income from subsidiaries	606	1 303
Dividends	200	200
Interest	0	439
Administration fees	406	664
Surplus on disposal of fixed assets	733	366
3. Taxation		
South African normal taxation		
Current taxation	192 419	0
Transition levy	0	7 017
Under/(over) provision in respect of prior years	1 931	(11)
	194 350	7 006
4. Net transfer (to)/from reserves	(239 859)	(86 121)
Transfers (to)/from reserves are made in terms of section 24 of the South African Reserve Bank Act.		

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	1996	1995
	R'000	R'000

5. Dividends

Dividends are calculated at 10 cents per share.

Earnings per share has not been calculated as the shares earn a maximum dividend of 10 cents per share in terms of the South African Reserve Bank Act.

6. Transfer to the Government

In terms of section 24 of the South African Reserve Bank Act, nine tenths of the surplus remaining after transfers to reserves and payment of dividends is paid to the Government.

7. Share capital

*Authorised and issued*

2 000 000 shares of R1 each

	2 000	2 000
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8. Statutory reserve fund

The statutory reserve fund is maintained in terms of section 24 of the South African Reserve Bank Act, which stipulates that one tenth of the profit after transfers to reserves and payment of dividends, has to be credited to the statutory reserve fund.

9. Distributable reserves

Balance at beginning of the year	677 000	660 582
Cost of fixed assets charged to reserves	(59 187)	(69 703)
Net income credited to reserves	454	0
Net transfer from income statement (note 4)	239 859	86 121
Balance at end of the year	858 126	677 000

	1996	1995
	R'000	R'000
10. Notes and coin in circulation		
Notes	16 786 027	15 045 531
Coin	1 379 847	1 258 890
	<u>18 165 874</u>	<u>16 304 421</u>
11. Deposit accounts		
Banks' reserve accounts	4 783 080	3 947 146
Banks' current accounts	32 261	30 781
Government accounts	4 053 513	5 468 233
Other accounts and deposits	605 293	2 102 785
	<u>9 474 147</u>	<u>11 548 945</u>
12. Fixed assets		
Land and buildings – at valuation plus cost of purchases since valuation date	202 775	202 775
Vehicles, furniture and equipment – at cost	269 559	260 142
Work in progress – at cost	151 586	103 445
	<u>623 920</u>	<u>566 362</u>
Accumulated depreciation	623 920	566 362
Net book value	<u>0</u>	<u>0</u>
13. Investments		
Subsidiaries		
Shares at cost	123 000	123 000
Corporation for Public Deposits	2 000	2 000
South African Mint Company (Pty) Ltd	60 000	60 000
South African Bank Note Company (Pty) Ltd	61 000	61 000
	<u>261 218</u>	<u>261 218</u>
Loans		
Corporation for Public Deposits	0	0
South African Mint Company (Pty) Ltd	249 000	249 000
South African Bank Note Company (Pty) Ltd	12 218	12 218
	<u>2 250</u>	<u>(1 495)</u>
Current accounts		
Corporation for Public Deposits	37	0
South African Mint Company (Pty) Ltd	2 213	(1 495)
	<u>40 530</u>	<u>(44 592)</u>
Deposit account		
Corporation for Public Deposits	40 530	(44 592)
	<u>426 998</u>	<u>338 131</u>



1996	1995
R'000	R'000

Loans to subsidiaries are unsecured with no fixed repayment terms. Currently the loans bear no interest.

#### Other investments

Other investments consist of unlisted shares at cost in:

2 025	2 025
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Automated Clearing Bureau (Pty) Ltd

SA Futures Exchange (Pty) Ltd

The Central Depository Ltd

Floor Trading Management Company (Pty) Ltd

The directors value unlisted shares at cost.

Total investments

429 023	340 156
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#### 14. Gold and foreign exchange contingency reserve account

The gold and foreign exchange contingency reserve account represents net profits made and losses incurred on behalf of the Government on gold and foreign exchange transactions.

The account is operated in terms of section 28 of the South African Reserve Bank Act.

#### 15. Gold and foreign exchange

Gold coin and bullion

6 737 939	5 449 227
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Foreign exchange

7 134 329	6 469 825
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Shares - Bank for International

Settlements

120 228	104 262
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13 992 496	12 023 314
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	1996	1995
	R'000	R'000
16. Financial instruments		
Internal registered stock	7 526 724	8 519 601
Options	(1 468)	(5 800)
	<u>7 525 256</u>	<u>8 513 801</u>

#### 17. Retirement fund arrangements

Two funds are currently operated:

- Pension Fund of the South African Reserve Bank. This is a defined benefit fund having as its members mainly persons already on pension at the time when the new retirement fund was established on 1 July 1995. Actuarial shortages, should any arise, are funded by the Bank. The fund was found to be financially sound at 30 June 1995 when the last actuarial valuation was done by the actuaries.

- Retirement Fund of the South African Reserve Bank. This is a defined contribution fund. The Bank has no obligation to fund actuarial shortfalls which may arise. Benefits will be adjusted according to what is affordable from time to time.

Subject to certain conditions, medical aid and group life insurance premiums of pensioners are paid by the Bank. Since 1 October 1995 medical aid premiums are charged against a reserve created for this purpose. Previously these premiums were charged to income.

#### 18. Contingent liabilities

There are future commitments in respect of gold swap agreements and option transactions.

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SOUTH AFRICAN RESERVE BANK

STATEMENT IN RESPECT OF SUBSIDIARIES  
AS AT 31 MARCH 1996

	1996 R'000	1995 R'000
Capital employed		
Cost of shares in unlisted subsidiaries	123 000	123 000
Non-distributable reserves since acquisition of subsidiaries	125 079	105 079
Distributable reserves since acquisition of subsidiaries	1 520	8 134
Bank's interest at the end of the financial year	249 599	236 213
Long-term liabilities	7 672	18 711
Loans to subsidiaries	261 218	261 218
Deposit accounts	7 035 546	5 173 374
Deferred taxation	620	486
Total capital employed	7 554 655	5 690 002
Employment of capital		
Fixed assets	237 235	258 125
Investments	7 179 710	5 433 008
Net current assets/(liabilities)	137 710	(1 131)
Total employment of capital	7 554 655	5 690 002