South African Reserve Bank

GROUP ANNUAL FINANCIAL STATEMENTS 17/18

PROMOTING THE ECONOMIC WELL-BEING OF SOUTH AFRICANS

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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.

ONLINE

The annual report can be accessed at: https://www.resbank.co.za/Publications/Reports/Pages/Annual-Reports.aspx

DIRECTORS' REPORT

for the year ended 31 March 2018

INTRODUCTION

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

The South African Reserve Bank annual report (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 compliance with relevant statutory information requirements.

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

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 financial statements include appropriate and responsible disclosure, and are based on accounting policies that have been consistently applied and which are supported by reasonable and prudent judgements and estimates.

The financial statements were audited by the independent external auditors who were given unrestricted access to all financial records and related data, including minutes of all the meetings of the Board of Directors (Board) and its committees, as well as of 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 4 of the annual report.

SUBSIDIARIES

The subsidiaries of the SARB are:

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

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

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

ASSOCIATE

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

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

ACHIEVEMENT OF OBJECTIVES

The annual report includes the SARB's achievements against its strategic objectives. Refer to pages 8 to 10 of the annual report.

FINANCIAL RESULTS

The gradual normalisation of global interest rates has positively impacted the SARB's financial results and is likely to continue to do so for the short to medium term. Interest income of the SARB, derived mainly from foreign investments and accommodation to banks, increased by R0.5 billion (2017: R0.4 billion). Operating costs increased by R0.1 billion (2017: R0.2 billion), mainly attributable to once-off costs incurred due to implementation of the Cash Management Strategy, offset by a reduction in the cost of new currency. The net result of these factors was a profit after taxation of R1.4 billion (2017: R1.4 billion) for the year ended 31 March 2018.

South African Mint (including Prestige Bullion) made a profit after taxation attributable to the parent of R0.4 billion (2017: R0.3 billion) and declared a dividend of R0.2 billion (2017: R0.2 billion) to the SARB. Refer to note 34 for further detail.

SABN incurred an after-taxation loss of R5.7 million (2017: R0.1 billion profit). The loss in the current year was mainly due to lower production volumes which are likely to reverse in the coming financial year. Refer to note 34 for further detail.

The CPD recorded a profit after taxation of R91.4 million (2017: R73.5 million), of which R91.2 million (2017: R73.3 million) was due to SA government in accordance with the Corporation of Public Deposits Act 46 of 1984 (CPD Act). Refer to note 34 for further detail.

DIRECTORS' REPORT *continued*

for the year ended 31 March 2018

ABHL made a profit of R423.9 million before taxation (2017: R556.5 million loss) attributable to the Group. Refer to note 34 for further detail.

FINANCIAL POSITION

The Group's total assets decreased by R12.2 billion (2017: R68.6 billion), largely as a result of a decline in gold and foreign exchange reserves of R25.2 billion (2017: R70.6 billion), offset by an increase in cash and cash equivalents of R12.9 billion (2017: R19.7 billion).

Total liabilities of the Group decreased by R13.9 billion (2017: R69.7 billion) largely as a result of 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) decreasing by R37.2 billion (2017: R73.5 billion), offset by increases in notes and coin in circulation of R14.0 billion (2017: R1.7 billion) and deposit accounts of R13.2 billion (2017: R2.9 billion decrease).

The decrease in both total assets and total liabilities was mainly as a result of a stronger rand and a lower South African rand (ZAR) gold price.

The contingency reserve increased by R1.8 billion (2017: R0.8 billion) due to the profit after taxation achieved for the year being transferred to the reserve.

Further details on the Group's financial information for the year, appear on page 8.

DIVIDENDS

The SARB Act permits the SARB to declare dividends from its accumulated profits (reserves). An interim dividend of five cents per share for the financial year was paid to shareholders on 20 October 2017; the final dividend, also of five cents per share, was paid on 11 May 2018. The total dividend paid for the financial year was R0.2 million (2017: R0.2 million).

DIRECTORS

The composition of the Board at 31 March 2018 is reported on pages 66 to 71 of the annual report.

The terms of office of R J G (Rob) Barrow (commerce or finance), R (Rochelle) le Roux (labour) and G M (Gary) Ralfe (mining) as shareholder-elected non-executive directors, expired the day after the 2017 annual Ordinary General Meeting (AGM).

All three non-executive directors were eligible for re-election and were re-elected at the AGM held on 28 July 2017 for their last term of three years.

The term of office of V J (Venete) Klein (commerce or finance), who is a shareholder-elected non-executive director, will expire the day after the 2018 AGM. Ms Klein has indicated that she will not be available for re-election.

The terms of office of T (Tania) Ajam, M (Maureen) Manyama and T (Terence) Nombembe, who are SA government appointed non-executive directors, expired during 2017. M (Maureen) Manyama resigned with effect from 28 July 2017 and T (Tania) Ajam was not available for re-appointment. Their positions were still vacant at financial year-end. The SA government has re-appointed T (Terence) Nombembe with effect from 14 July 2017 for a further term of three years.

The term of office of F (Firoz) Cachalia as a SA government appointed non-executive director will expire on 17 July 2018. He is eligible for re-appointment.

At 31 March 2018 and to date, none of the directors in office held any direct or indirect shareholding in the SARB.

Directors' fees for their services during the financial year under review are reflected in note 34.7.

EVENTS AFTER REPORTING DATE

Although not impacting the financial performance of the Group, we draw attention to the establishment of the Prudential Authority (PA), effective 1 April 2018. Refer to note 28 for more detail.

No other material events occurred between 31 March 2018 and 8 June 2018 requiring disclosure in, or adjustment to, the financial statements for the year ended 31 March 2018.

DIRECTORS' REPORT *continued*

for the year ended 31 March 2018

SECRETARY OF THE SARB

S L (Sheenagh) Reynolds

REGISTERED OFFICE

Business address:
370 Helen Joseph Street (formerly Church Street)
Pretoria 0002

Postal address:
PO Box 427
Pretoria 0001

The financial statements were approved by the Board on 8 June 2018 and signed on its behalf by:

E L (Lesetja) Kganyago
Governor

R J G (Rob) Barrow
Non-executive Director and Chairperson of the Audit Committee

G R (Grant) Haarhoff
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 2018, have been completed and are up to date.

S L (Sheenagh) Reynolds
Secretary of the SARB

8 June 2018

REPORT OF THE AUDIT COMMITTEE

for the year ended 31 March 2018

The Audit Committee is a committee 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 confirms that it carried out its functions responsibly and in compliance with its terms of reference, during the reporting year.

The SARB's executive management, internal auditors, external auditors and other assurance providers attend the Audit Committee's meetings in an ex officio capacity. Management and internal and external auditors meet 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 accomplishment of objectives;
» economy and efficiency of operations; and
» the safeguarding of assets.

The Audit Committee is satisfied that this 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 within the three lines of assurance.

The Audit Committee considers the adopted CA approach to be adequate to achieve the said objectives of effective assurance activities across the Group.

FINANCIAL STATEMENTS

The Audit Committee reviewed the financial statements of the SARB and the external auditors' report thereon, and recommended their approval to the Board.

INTERNAL AUDIT

The Audit Committee reviewed and approved the Internal Audit Charter which defines the purpose, authority and responsibility of the internal audit function. The committee also approved the annual internal audit plan.

The Audit Committee reviewed the Internal Audit Department's (IAD) reports on control weaknesses and management's corrective actions.

The Audit Committee is satisfied that the IAD is independent and appropriately resourced to provide assurance on the adequacy and effectiveness of the internal control environment of the SARB. The Chief Internal Auditor (CIA) reports functionally to the Audit Committee and administratively to both the Chairperson of the Audit Committee and 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.

In consultation with executive management, 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 reporting such activities to the 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 committee's review of reports received from both internal and external auditors, as well as from the executive management and relevant departments.

INFORMATION TECHNOLOGY

The Audit Committee is satisfied that the SARB is able to manage its information technology (IT) capability and that its IT controls are appropriate to support the integrity of financial reporting. This is based on the committee's continuous review of reports from IT management, as well as the internal and external auditors.

WHISTLE-BLOWING

Based on combined submissions from the Risk Management and Compliance Department and the IAD, the Audit Committee is satisfied that procedures have been established to receive, retain and resolve complaints regarding accounting, internal controls or auditing matters, including procedures for confidential and anonymous submissions in this regard.

R J G (Rob) Barrow
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 the International Financial Reporting Standards (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 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.
2. Deferred taxation assets

    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. In the past, deferred taxation assets were not reduced to the extent that it was no longer probable in the foreseeable future that the related taxation benefits would be realised. This was a departure from IFRS. The standard requires that deferred taxation assets are reduced to the extent that it is no longer probable, in the foreseeable future, that the related taxation benefit will be realised.

    The principles of *IAS 12 Income Taxes* require an entity to demonstrate convincing evidence that future taxable profits will be available where the entity has unused taxation losses.

    Although the basis of preparation of the financial statements did not take into account the requirements of *IAS 12 Income Taxes* in the past, had the recognition and measurement principles of *IAS 12 Income Taxes* been applied, the deferred taxation asset raised would have been considered recoverable and would thus not have resulted in departure.

    The SARB has been profitable since the financial year ended 31 March 2016 and is projected to continue to generate profits in the foreseeable future. As a result of this profitability, previously carried forward taxation losses have been fully absorbed and at 31 March 2018 the SARB no longer has a deferred taxation asset relating to taxable losses. The SARB is mandated, as per the SARB Act, to operate as the sole central bank in South Africa and has been doing so for the past 97 years. The continuity of the SARB is therefore protected by statute and not dependent on market forces.

    It is therefore management's conclusion that the SARB has for the past two years complied with *IAS 12 Income Taxes* and that the departure is no longer applicable (refer to note 1). Furthermore management has assessed that retrospective application would not result in any adjustments to the current and prior two financial periods and thus no further disclosure is applicable.

PRESENTATION

In the financial statements,

1. not all information as required by *IFRS 7 Financial Instruments Disclosures*, are disclosed. This relates specifically to:
    - Market risk: 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 would have been affected by changes in the relevant risk variables that were reasonably possible at that date;
    - Credit risk: The credit quality per counterparty, the historical information about the counterparty default rates, the contractual maturity analysis of financial assets and the exposure to credit risk by class of financial instrument; and
    - Liquidity risk: the contractual maturity analysis of financial assets.
2. assets and liabilities relating to securities lending activities and financial derivative products used for portfolio management purposes have been disclosed, but offset in note 6 because it is considered inappropriate to gross up the foreign exchange reserves of the SARB.

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 8 to 72, which comprise the consolidated and separate statements of financial position as at 31 March 2018, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of cash flows and consolidated and separate statements of changes in equity for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies (the financial statements). In our opinion, the consolidated and separate financial statements of the Group for the year ended 31 March 2018 have been 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, as amended (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 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 International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). 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 of accounting. The consolidated and separate financial statements are prepared for the purpose as described therein. As a result, the consolidated and separate financial statements may not be suitable for any other 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 pages 1 to 5 of the Group Annual Financial Statements. The other information does not include the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The SARB's directors are responsible for the preparation of the consolidated and separate financial statements in accordance with the accounting policies described in note 1 to the consolidated and separate financial statements and the requirements of the SARB Act. The SARB's directors are further responsible for determining that the basis of presentation is acceptable in the circumstances, and for such internal control as the directors determine is necessary to enable the preparation of 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 relating to going concern and using the going concern basis of accounting unless directors either intends to liquidate the SARB or to cease operations, or has no realistic alternative but to do so.

RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF THE SOUTH AFRICAN RESERVE BANK *continued*

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

1. 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.

2. 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.

3. Conclude on the appropriateness of 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 Group's and 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 Group and/or SARB to cease to continue as a going concern.

4. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by the directors.

5. 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 those charged with governance 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
Waterfall City
2157

Johannesburg
8 June 2018

SizweNtsalubaGobodo Inc.

SizweNtsalubaGobodo Inc
Director: Agnes Dire

Registered Auditor
20 Morris Street East
Woodmead
2191

Johannesburg
8 June 2018

CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION

at 31 March 2018

		GROUP		SARB	
	Notes	**2018 R'000**	2017 R'000	**2018 R'000**	2017 R'000
Assets					
Cash and cash equivalents	2	**38 559 579**	25 675 825	**–**	–
Amounts due by Group companies	34.4	**–**	–	**33 982**	3 453
Accommodation to banks	3	**66 849 928**	59 685 062	**66 849 928**	59 685 062
Investments	4	**5 833 619**	3 734 805	**–**	–
Other assets	5	**1 675 506**	700 543	**1 480 557**	495 152
Gold and foreign exchange	6	**592 617 284**	617 783 121	**592 617 284**	617 783 121
Inventories	7	**715 112**	585 231	**6 470**	7 060
Forward exchange contract assets	8	**52 353**	317 081	**52 353**	317 081
Loans and advances	9	**17 570 181**	27 657 078	**58 395**	60 434
Current taxation prepaid	24	**5 014**	4 863	**–**	–
South African government bonds	10	**8 083 658**	8 153 413	**8 083 658**	7 762 193
Equity investment in Bank for International Settlements	11	**450 780**	470 557	**450 780**	470 557
Investment in subsidiaries	34.1	**–**	–	**1 011 000**	1 011 000
Investment in associate	34.2	**4 869 687**	4 445 784	**5 000 000**	5 000 000
Property, plant and equipment	12	**2 917 816**	2 814 429	**1 409 419**	1 377 739
Intangible assets	13	**524 212**	479 931	**481 348**	442 104
Deferred taxation assets	14	**980 400**	1 365 015	**980 400**	1 365 015
Total assets		**741 705 129**	753 872 738	**678 515 574**	695 779 971
Liabilities					
Notes and coin in circulation	15	**146 330 155**	132 296 656	**146 330 155**	132 296 656
Deposit accounts	16	**280 020 330**	266 820 830	**211 640 167**	201 593 290
Amounts due to Group companies	34.4	**–**	–	**7 536 468**	8 760 993
Foreign deposits	17	**101 955 792**	106 655 316	**101 955 792**	106 655 316
Other liabilities	18	**1 727 549**	1 318 202	**1 382 417**	972 364
South African Reserve Bank debentures	19	**340 406**	611 295	**340 406**	611 295
Forward exchange contract liabilities	8	**2 787 188**	3 120 834	**2 787 188**	3 120 834
Current taxation payable	24	**25 404**	–	**17 830**	–
Deferred taxation liabilities	14	**39 155**	40 065	**–**	–
Post-employment benefits	20	**3 451 308**	2 441 883	**3 223 105**	2 247 416
Gold and Foreign Exchange Contingency Reserve Account	21	**193 917 028**	231 158 237	**193 917 028**	231 158 237
Total liabilities		**730 594 315**	744 463 318	**669 130 556**	687 416 401
Capital and reserves(1)					
Share capital	22	**2 000**	2 000	**2 000**	2 000
Accumulated profit		**1 716 482**	1 458 921	**–**	–
Statutory reserve		**395 164**	395 164	**395 164**	395 164
Contingency reserve		**9 214 442**	7 399 738	**9 255 712**	7 864 911
Bond revaluation reserve		**383 676**	173 720	**383 676**	173 720
Property, plant and equipment revaluation reserve		**80 805**	110 542	**80 805**	110 542
Post-employment benefits remeasurement reserve		**(745 915)**	(182 109)	**(732 339)**	(182 767)
Non-controlling interest		**64 160**	51 444	**–**	–
Total capital and reserves		**11 110 814**	9 409 420	**9 385 018**	8 363 570
Total liabilities, capital and reserves		**741 705 129**	753 872 738	**678 515 574**	695 779 971

(1) Further detail on capital and reserves is provided in the consolidated and separate statements of changes in equity.

CONSOLIDATED AND SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2018

	Notes	GROUP 2018 R'000	GROUP 2017 R'000	SARB 2018 R'000	SARB 2017 R'000
Interest income	32	**13 574 784**	13 898 982	**9 165 348**	8 689 311
Interest expense	32	**(8 040 836)**	(8 316 523)	**(3 799 252)**	(3 246 438)
Net interest income		**5 533 948**	5 582 459	**5 366 096**	5 442 873
Dividend income	32	**47 299**	38 316	**197 499**	188 516
Operating income		**2 725 456**	2 045 698	**1 032 196**	818 820
Total income	23.1	**8 306 703**	7 666 473	**6 595 791**	6 450 209
Operating costs	23.2	**(5 487 094)**	(5 009 593)	**(4 661 687)**	(4 558 737)
Share of net profit/(loss) of associate accounted for using the equity method	34.2	**423 903**	(556 480)	**–**	–
Profit before taxation		**3 243 512**	2 100 400	**1 934 104**	1 891 472
Taxation	24	**(815 815)**	(717 519)	**(543 103)**	(486 329)
Profit for the year		**2 427 697**	1 382 881	**1 391 001**	1 405 143
Attributable to:					
The parent		**2 163 661**	1 201 613		
Non-controlling interest	34.3	**264 036**	181 268		
		2 427 697	1 382 881		
Other comprehensive income (net of taxation)					
Items that will not be reclassified to profit or loss					
Remeasurement of post-employment benefits		**(563 806)**	(124 293)	**(549 572)**	(124 803)
Revaluation adjustments of property, plant and equipment		**(29 737)**	1 021	**(29 737)**	1 021
Items that may subsequently be reclassified to profit or loss					
Unrealised gains on available-for-sale financial assets		**210 524**	143 553	**210 524**	143 553
Realised gains on available-for-sale financial assets		**(568)**	–	**(568)**	–
Total comprehensive income for the year (net of taxation)		**2 044 110**	1 403 162	**1 021 648**	1 424 914
Attributable to:					
The parent		**1 780 074**	1 221 894		
Non-controlling interest	34.3	**264 036**	181 268		
Total comprehensive income		**2 044 110**	1 403 162		

CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS

for the year ended 31 March 2018

		GROUP		SARB	
	Notes	**2018 R'000**	2017 R'000	**2018 R'000**	2017 R'000
Cash flows generated from/(utilised by) operating activities					
Cash generated from/(utilised by) operating activities	26	**16 276 357**	(2 612 582)	**473 741**	72 022
Taxation paid	24	**(270 114)**	(173 355)	**–**	–
Dividends paid	25 & 34	**(251 520)**	(210 200)	**(200)**	(200)
Transfer to SA government[1]		**(73 322)**	(72 550)	**–**	–
Net cash flows generated from/(utilised by) operating activities		**15 681 401**	(3 068 687)	**473 541**	71 822
Net cash flows (utilised by)/generated from investing activities		**(2 797 647)**	22 796 619	**(473 541)**	(71 822)
Purchase of property, plant and equipment	12	**(565 371)**	(472 076)	**(358 418)**	(313 655)
Proceeds on disposal of property, plant and equipment		**3 213**	948	**438**	434
Purchase of intangible assets	13	**(134 167)**	(49 066)	**(115 561)**	(39 366)
Net (acquisition)/disposal of investments		**(2 101 322)**	23 316 813	**–**	–
Proceeds on repayment of shareholder loan	34.1	**–**	–	**–**	280 765
Net increase in cash and cash equivalents		**12 883 754**	19 727 932	**–**	–
Cash and cash equivalents at the beginning of the year		**25 675 825**	5 947 893	**–**	–
Cash and cash equivalents at the end of the year		**38 559 579**	25 675 825	**–**	–

(1) Further detail on the transfer to SA government is provided in the consolidated and separate statements of changes in equity.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY: GROUP

for the year ended 31 March 2018

	Share capital R'000	Accumulated profit R'000	Statutory reserve R'000	Contingency reserve R'000	Bond revaluation reserve R'000	Property, plant and equipment revaluation reserve R'000	Post-employment benefit remeasurement reserve R'000	Total R'000	Non-controlling interest R'000	Total R'000
Balance at 31 March 2016	**2 000**	**1 179 294**	**395 164**	**6 551 274**	**30 167**	**109 521**	**(57 816)**	**8 209 604**	**80 176**	**8 289 780**
Total comprehensive income for the year	–	1 201 613	–	–	143 553	1 021	(124 293)	1 221 894	181 268	1 403 162
Profit for the year	–	1 201 613	–	–	–	–	–	1 201 613	181 268	1 382 881
Remeasurement of post-employment benefits	–	–	–	–	–	–	(124 293)	(124 293)	–	(124 293)
Revaluation of property, plant and equipment	–	–	–	–	–	1 021	–	1 021	–	1 021
Unrealised gain on available-for-sale financial assets	–	–	–	–	143 553	–	–	143 553	–	143 553
Transfer to SA government	–	(73 322)	–	–	–	–	–	(73 322)	–	(73 322)
Transfer (from)/to reserves	–	(848 464)	–	848 464	–	–	–	–	–	–
Dividends paid	–	(200)	–	–	–	–	–	(200)	(210 000)	(210 200)
Balance at 31 March 2017	**2 000**	**1 458 921**	**395 164**	**7 399 738**	**173 720**	**110 542**	**(182 109)**	**9 357 976**	**51 444**	**9 409 420**
Total comprehensive income for the year	**–**	**2 163 661**	**–**	**–**	**209 956**	**(29 737)**	**(563 806)**	**1 780 074**	**264 036**	**2 044 110**
Profit for the year	**–**	**2 163 661**	**–**	**–**	**–**	**–**	**–**	**2 163 661**	**264 036**	**2 427 697**
Remeasurement of post-employment benefits	**–**	**–**	**–**	**–**	**–**	**–**	**(563 806)**	**(563 806)**	**–**	**(563 806)**
Revaluation of property, plant and equipment	**–**	**–**	**–**	**–**	**–**	**(29 737)**	**–**	**(29 737)**	**–**	**(29 737)**
Unrealised gains on available-for-sale financial assets	**–**	**–**	**–**	**–**	**210 524**	**–**	**–**	**210 524**	**–**	**210 524**
Realised gains on available-for-sale financial assets	**–**	**–**	**–**	**–**	**(568)**	**–**	**–**	**(568)**	**–**	**(568)**
Transfer to SA government	**–**	**(91 196)**	**–**	**–**	**–**	**–**	**–**	**(91 196)**	**–**	**(91 196)**
Transfer (from)/to reserves	**–**	**(1 814 704)**	**–**	**1 814 704**	**–**	**–**	**–**	**–**	**–**	**–**
Dividends paid	**–**	**(200)**	**–**	**–**	**–**	**–**	**–**	**(200)**	**(251 320)**	**(251 520)**
Balance at 31 March 2018	**2 000**	**1 716 482**	**395 164**	**9 214 442**	**383 676**	**80 805**	**(745 915)**	**11 046 654**	**64 160**	**11 110 814**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY: GROUP *continued*

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.

Bond revaluation reserve

Gains and losses arising from a change in fair value of available-for-sale financial assets are recognised in other comprehensive income. When these financial assets are sold, collected or otherwise disposed of, the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss.

Property, plant and equipment revaluation reserve

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

Post-employment benefit 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 equity in other comprehensive income 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. No amount was transferred to SA government by the SARB in the current year as the SARB is rebuilding the contingency reserve.

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 2018 an amount of R91.2 million (2017: R73.3 million) was due to SA government by the CPD.

SEPARATE STATEMENT OF CHANGES IN EQUITY: SARB

for the year ended 31 March 2018

	Share capital R'000	Accumulated profit R'000	Statutory reserve R'000	Contingency reserve R'000	Bond revaluation reserve R'000	Property, plant and equipment revaluation reserve R'000	Post-employment benefit remeasurement reserve R'000	Total R'000
Balance at 31 March 2016	**2 000**	**–**	**395 164**	**6 459 968**	**30 167**	**109 521**	**(57 964)**	**6 938 856**
Total comprehensive income for the year	–	1 405 143	–	–	143 553	1 021	(124 803)	1 424 914
Profit for the year	–	1 405 143	–	–	–	–	–	1 405 143
Remeasurement of post-employment benefits	–	–	–	–	–	–	(124 803)	(124 803)
Revaluation of property, plant and equipment	–	–	–	–	–	1 021	–	1 021
Unrealised gain on available-for-sale financial assets	–	–	–	–	143 553	–	–	143 553
Transfer (from)/to reserves	–	(1 404 943)	–	1 404 943	–	–	–	–
Dividends paid	–	(200)	–	–	–	–	–	(200)
Balance at 31 March 2017	**2 000**	**–**	**395 164**	**7 864 911**	**173 720**	**110 542**	**(182 767)**	**8 363 570**
Total comprehensive income for the year	**–**	**1 391 001**	**–**	**–**	**209 956**	**(29 737)**	**(549 572)**	**1 021 648**
Profit for the year	**–**	**1 391 001**	**–**	**–**	**–**	**–**	**–**	**1 391 001**
Remeasurement of post-employment benefits	**–**	**–**	**–**	**–**	**–**	**–**	**(549 572)**	**(549 572)**
Revaluation of property, plant and equipment	**–**	**–**	**–**	**–**	**–**	**(29 737)**	**–**	**(29 737)**
Unrealised gains on available-for-sale financial assets	**–**	**–**	**–**	**–**	**210 524**	**–**	**–**	**210 524**
Realised gains on available-for-sale financial assets	**–**	**–**	**–**	**–**	**(568)**	**–**	**–**	**(568)**
Transfer (from)/to reserves	**–**	**(1 390 801)**	**–**	**1 390 801**	**–**	**–**	**–**	**–**
Dividends paid	**–**	**(200)**	**–**	**–**	**–**	**–**	**–**	**(200)**
Balance at 31 March 2018	**2 000**	**–**	**395 164**	**9 255 712**	**383 676**	**80 805**	**(732 339)**	**9 385 018**

SEPARATE STATEMENT OF CHANGES IN EQUITY: SARB *continued*

for the year ended 31 March 2018

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.

Bond revaluation reserve

Gains and losses arising from a change in fair value of available-for-sale financial assets are recognised in other comprehensive income. When these financial assets are sold, collected or otherwise disposed of, the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss.

Property, plant and equipment revaluation reserve

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

Post-employment benefit 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 equity in other comprehensive income 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. No amount was transferred to SA government by the SARB in the current year as the SARB is rebuilding the contingency reserve.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 March 2018

1. ACCOUNTING POLICIES

1.1 Basis of presentation

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 5.

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 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 1.19 and the relevant notes.

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

Change in accounting policy

In the current year, the Group elected to voluntarily change the Financial Reporting Framework by removing the deviation from IFRS relating to deferred taxation assets. Previously, the Group would recognise a deferred taxation asset in full and would not reduce it to the extent that it was no longer probable that in the foreseeable future there would be related taxation benefits.

The Group has been consistently making taxable profits and therefore the deferred taxation asset that was initially raised in terms of the deviation has been utilised. The Group is therefore of the view that based on the changes in the manner in which the Group makes taxable profits, it is highly unlikely that it would need to utilise the deviation going forward and therefore has voluntarily elected to change its basis of preparation by removing the deviation from the Financial Reporting Framework.

A voluntary change in accounting policy requires retrospective application with an adjustment to the opening accumulated profit for the earliest prior period presented, which is 1 April 2016. The Group has assessed that the impact of the change is immaterial in terms of the recognition and measurement of its deferred taxation asset as at 1 April 2016 and therefore no restatement is required for the voluntary change in accounting policy. Refer to the financial reporting framework on page 5.

1.2 New standards and interpretations

1.2.1 New and amended standards adopted by the Group

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

» ***IAS 7 Statement of Cash Flows***

The IASB issued an amendment to *IAS 7 Statement of Cash Flows* introducing additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The effective date of this amendment is for years commencing on or after 1 January 2017. The Group has adopted the amendment for the first time in the 2018 financial statements. The amendment has no material impact on the financial statements.

» ***IAS 12 Income Taxes***

In January 2016, the IASB issued amendments to clarify the requirements for recognising deferred taxation assets on unrealised losses. The amendments clarify the accounting for deferred taxation where an asset is measured at fair value and that fair value is below the asset's taxation base. They also clarify certain other aspects of accounting for deferred taxation assets.

The effective date of this amendment is for years commencing on or after 1 January 2017. The Group has adopted the amendment for the first time in the 2018 financial statements. The amendment has no material impact on the financial statements.

There are no other new or amended standards applicable to the Group for the financial year ended 31 March 2018.

1.2.2 New standards, amendments and interpretations not yet adopted

A number of new standards, amendments and interpretations are effective for annual periods beginning after 1 April 2018, and have not been early adopted in preparing these financial statements. None of these are expected to have a significant impact on the financial statements, except for the following:

» ***IFRS 15 Revenue from Contracts from Customers***

This is a new standard that requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five step methodology that is required to be applied to all contracts with customers. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

1.2 New standards and interpretations *continued*

1.2.2 New standards, amendments and interpretations not yet adopted *continued*

» ***IFRS 15 Revenue from Contracts from Customers*** *continued*

The effective date of the amendment is for years beginning on or after 1 January 2018. The Group expects to adopt the amendment for the first time in the first annual financial period after the effective date, commencing 1 April 2018. The amendment has no material impact on the financial statements.

The new standard supersedes:

- *IAS 11 Construction Contracts;*
- *IAS 18 Revenue;*
- *IFRIC 13 Customer Loyalty Programmes;*
- *IFRIC 15 Agreements for the Construction of Real Estate;*
- *IFRIC 18 Transfers of Assets from Customers;* and
- *SIC-31 Revenue – Barter Transactions Involving Advertising Services.*

» ***IFRS 9 Financial Instruments***

A final version of *IFRS 9 Financial Instruments* has been issued which replaces *IAS 39 Financial Instruments: Recognition and Measurement*. The completed standard comprises guidance on classification and measurement, impairment, hedge accounting and derecognition, and introduces a new approach to the classification of financial assets, which is driven by the business model in which the assets are held and their cash flow characteristics. A new business model was introduced in the standard which does allow certain financial assets to be categorised as "fair value through other comprehensive income" (FVOCI) in certain circumstances. The requirements for financial liabilities are mostly carried forward unchanged from *IAS 39 Financial Instruments: Recognition and Measurement*. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk. The new model introduces a single impairment model being applied to all financial instruments, as well as an "expected credit loss" (ECL) model for the measurement of financial assets. *IFRS 9 Financial Instruments* contains a new model for hedge accounting that aligns the accounting treatment with the risk management activities of an entity, it also requires enhanced disclosures that will provide better information about risk management and the effect of hedge accounting on the financial statements. *IFRS 9 Financial Instruments* carries forward the derecognition requirements of financial assets and liabilities from *IAS 39 Financial Instruments: Recognition and Measurement*.

The mandatory effective date for implementation is for annual periods beginning on or after 1 January 2018. The Group expects to adopt the standard for the first time in the first annual financial period after the effective date, commencing 1 April 2018.

The Group has undertaken a detailed assessment of the impact of the application of *IFRS 9 Financial Instruments* on its financial statements.

Classification and measurement

The classification and measurement of financial assets will depend on how these are managed (the entity's business model) and their contractual cash flow characteristics. These factors determine whether the financial assets are measured at amortised cost, FVOCI or fair value through profit or loss (FVPL). The combined effect of the application of the business model and the contractual cash flow characteristics tests may result in some differences in the population of financial assets measured at amortised cost or fair value compared with *IAS 39 Financial Instruments: Recognition and Measurement*. The Group expects the following reclassifications and remeasurements:

- SA government bonds currently classified as FVOCI will be classified as FVPL;
- Bank for International Settlements (BIS) shares currently classified as FVOCI and measured at cost will remain as FVOCI, but measured at fair value with the fair value movements recognised in the accounting records of the SARB;
- foreign deposits will be classified as FVPL and not amortised cost; and
- items measured at amortised cost (i.e. accommodation to banks, loans and advances, short term deposits and receivables) will be tested for impairment using the new ECL model.

The SARB will include a fourth classification category called "SARB Act" wherein all assets and liabilities affected by the SARB Act (where certain movements are posted to GFECRA), will be classified. The SARB deviates from IFRS due to the fact that the SARB Act takes precedence over IFRS (refer to the financial reporting framework on page 5). This category will allow for more accurate presentation and will give users of the SARB's financial statements a clearer understanding of the impact of the SARB Act. The main items included in this category will be:

- Gold;
- Special Drawing Rights (SDRs);
- Forward exchange contract assets and liabilities; and
- GFECRA.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

1.2 New standards and interpretations *continued*

1.2.2 New standards, amendments and interpretations not yet adopted *continued*

Impairment

The impairment requirements apply to financial assets measured at amortised cost and FVOCI, receivables, and certain loan commitments and financial guarantee contracts. At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for expected credit losses (ECL) resulting from default events that are possible within the next 12 months (12-month ECL). In the event of a significant increase in credit risk, an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument (lifetime ECL). Financial assets where 12-month ECL is recognised are in 'stage 1'; financial assets that are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment, so are considered to be in default or otherwise credit impaired, are in 'stage 3'. The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money. As a result, the recognition and measurement of impairment is intended to be more forward-looking than under *IAS 39 Financial Instruments: Recognition and Measurement*, and the resulting impairment charge may be more volatile. *IFRS 9 Financial Instruments* may also result in an increase in the total level of impairment allowances, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population for which there is objective evidence of impairment in accordance with *IAS 39 Financial Instruments: Recognition and Measurement*. The Group has developed an impairment model which calculates an ECL allowance per counterparty per instrument. The calculation itself essentially uses the closing balance (the exposure at default), multiplies it with a loss given default ratio (zero if the asset is fully collateralised and the collateral is highly liquid) and the probability of default. The probability of default is calculated using regression analysis. *IFRS 9 Financial Instruments* requires the use of forward looking information (such as macro-economic information) to adjust the probability of defaults of those entities at each reporting date. By using regression analysis, the impact of each macro-economic factor on the probability of default can be calculated. The assessment indicates that there are no major gaps in current impairment models due to the short nature of the financial assets and the fact that they are mostly over collateralised.

Transitional impact

The Group does not intend to restate comparatives.

For the SARB and Group, adoption is expected to increase net assets at 1 April 2018 by R2.3 billion, net of deferred taxation of R883.5 million. These estimates are based on accounting policies, assumptions, judgements and estimation techniques that remain subject to change until the Group finalises its financial statements for the year ending 31 March 2019.

» ***IAS 19 Employee Benefits***

These amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement and recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

The effective date of the amendment is for years beginning on or after 1 January 2019. The Group expects to adopt the standard for the first time in the first annual financial period after the effective date, commencing 1 April 2019. The impact of this standard is currently being assessed.

» ***IFRIC 22 Foreign Currency Transactions and Advance Consideration***

This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

The effective date of the amendment is for years beginning on or after 1 January 2018. The Group expects to adopt the standard for the first time in the first annual financial period after the effective date, commencing 1 April 2018. The impact of this standard is currently being assessed.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

1.2 New standards and interpretations *continued*

1.2.2 New standards, amendments and interpretations not yet adopted *continued*

» ***IFRS 16 Leases***

This is a new standard that introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying *IAS 7 Statement of Cash Flows. IFRS 16 Leases* contains expanded disclosure requirements for lessees. Lessees will need to apply judgement in deciding upon the information to disclose to meet the objective of providing a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee. *IFRS 16 Leases* substantially carries forward the lessor accounting requirements in *IAS 17 Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. *IFRS 16 Leases* also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.

The effective date of the amendment is for years beginning on or after 1 January 2019. The Group expects to adopt the standard for the first time in the first annual financial period after the effective date, commencing 1 April 2019. The impact of this standard is currently being assessed.

The new standard supersedes:

- *IAS 17 Leases;*
- *IFRIC 4 Determining whether an Arrangement contains a Lease;*
- *SIC-15 Operating Leases – Incentives; and*
- *SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

There are no other IFRS or International Financial Reporting Interpretations Committee (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

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 fully consolidated from the date on which control is transferred to the SARB.

The acquisition method of accounting is used to account for subsidiaries by the Group. Investments in subsidiaries are stated at cost less allowance for impairment losses where appropriate, and include 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. 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 deficit balance.

1.3.2 Associate

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% and 50% of the voting rights.

An investment in associate is initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from an associate are recognised as a reduction in the carrying amount of the investment.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

1.3 Group accounting *continued*

1.3.2 Associate *continued*

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 excluding 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 categories: financial assets at fair value through profit or loss (including held-for-trading); loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

Financial assets at fair value through profit or loss

This category comprises two subcategories: (i) financial assets held-for-trading, and (ii) those designated as fair value through profit or loss at inception.

A financial asset is classified as 'held-for-trading' if it is acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking or if so designated by management. Derivatives are also classified as held-for-trading, unless they are designated as hedges at inception.

A financial asset is designated as 'fair value through profit or loss' when:

- either it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the asset, or recognising the gains or losses on it, on a different basis; or
- it forms part of a 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; or
- it forms part of a contract containing one or more embedded derivatives and *IAS 39 Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. This category does not include those loans and receivables that the Group intends to sell in the short term or that it has designated as at fair value through profit or loss or available-for-sale.

Available-for-sale financial assets

Available-for-sale financial assets are those intended to be held for an indefinite period and may be sold in response to liquidity needs or changes in interest rates, exchange rates or equity prices. Financial assets that are either designated in this category or not classified in any of the other categories are classified as 'available-for-sale' financial assets. The main classes of financial assets classified as available-for-sale are South African government bonds and the equity investment in the BIS.

1.4.1.2 Reclassification

The Group may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

1.4 Financial instruments *continued*

1.4.1 Financial assets *continued*

Reclassifications are made at fair value as at the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

1.4.1.3 Recognition and derecognition

Purchases and sales of financial assets that require delivery are recognised on trade date, being the date on which the Group commits itself to purchasing or selling 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 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.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

1.4.1.4 Measurement

Initial measurement

Financial assets are initially recognised at fair value plus transaction costs, except those carried at fair value through profit or loss. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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.

Subsequent measurement

Loans and receivables are subsequently carried at amortised cost using the effective interest method. The amortised cost of a financial asset is the amount at which the financial asset is measured on initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reductions for impairment of financial assets.

Available-for-sale financial assets are subsequently carried at fair value. Unrealised gains and losses arising from changes in fair value are recognised in other comprehensive income.

When the financial assets are derecognised the cumulative gain or loss recognised in other comprehensive income is transferred to profit or loss as a reclassification adjustment. Interest income and dividend income received on available-for-sale financial assets are recognised in profit or loss.

Gains and losses arising from a change in the fair value (excluding changes in fair value due to foreign exchange movements as explained in note 1.6) of financial assets and liabilities designated at fair value through profit or loss are recognised in profit or loss.

1.4.1.5 Impairment of financial assets

The Group assesses whether financial assets need to be impaired at each reporting date. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a loss event) and that loss event has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss has been incurred on loans and receivables, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate of the financial asset.

Objective evidence that loans and receivables are impaired includes but is not limited to the observable data that comes to the attention of the Group about the following events:

- significant financial difficulty of the debtor;
- a breach of contract, such as default or delinquency in payment; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or receivable has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, such as improved credit rating, the previously recognised impairment loss is reversed and is recognised in profit or loss.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

1.4 Financial instruments *continued*

1.4.1 Financial assets *continued*

Financial assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets (excluding equity instruments), the cumulative loss, measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

If, in a subsequent period, the fair value of a financial asset (excluding equity instruments classified as available-for-sale) increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not subsequently reversed through profit or loss.

1.4.2 Financial liabilities

1.4.2.1 Classification

The Group classifies its financial liabilities into financial liabilities at fair value through profit or loss and financial liabilities at amortised cost.

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 fair value through profit or loss

Derivatives with negative fair values and foreign deposits have been classified as financial liabilities at fair value through profit or loss.

Financial liabilities at amortised cost

The following liabilities have been classified as financial liabilities at amortised cost: notes and coin issued, South African Reserve Bank debentures, deposit accounts, amounts due to subsidiaries, the GFECRA, and other liabilities.

1.4.2.2 Recognition and derecognition

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

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.

1.4.2.3 Measurement

Initial measurement

Financial liabilities are initially recognised at fair value, generally being their issue proceeds net of transaction costs incurred, except for financial liabilities at fair value through profit or loss.

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.

Subsequent measurement

Subsequent to initial recognition, financial liabilities are measured at fair value. All related, realised and unrealised gains and 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.

Other liabilities are measured at amortised cost, which approximates fair value, and are remeasured for impairment losses, except as set out below:

- Non-interest-bearing deposit accounts and amounts due to subsidiaries are accounted for at cost, as these do not have fixed maturity dates and are repayable on demand.
- Notes and coin issued and the GFECRA are measured at cost as these liabilities do not have fixed maturity dates. The banknotes and coin in circulation represent the nominal value of all banknotes held by the public and banks, including recalled and still exchangeable banknotes from the previous series.

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 or liability.

1.4.3 Effective interest method

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 receipts (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.

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 currently 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

1.4 Financial instruments *continued*

1.4.4 Offsetting of financial instruments *continued*

In addition, as set out in notes 6.2 and 8, financial assets and financial liabilities arising from derivatives and securities lending activities 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.

1.5 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.

1.5.1 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 investments

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 fair values as obtained from portfolio managers. 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 South African government bonds

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

1.5.5 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 other comprehensive income and accumulated in equity under the heading of property, plant and equipment revaluation reserve (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 other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation reserve.

The 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 activities

Foreign currency translation

1.6.1 Functional and presentation currency

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the Group operates (the functional currency). The financial statements of the Group are presented in South African rand, which is the functional currency of the Group.

1.6.2 Foreign exchange gains and 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

1.6 Foreign currency activities *continued*

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 is 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 the expected future economic benefits that are 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 shall be carried at a 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.

Items under construction are not used and thus not depreciated. The estimated average useful lives of the 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.

The residual values and useful life of assets are reviewed at each reporting date and adjusted if appropriate.

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.

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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.

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

1.8 Intangible assets *continued*

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values. The estimated average useful lives of the assets are as follows:

Item	Amortisation method	Average useful life
Computer software	Straight line	2 to 20
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 item of intangible assets 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.

The residual values, amortisation period and the amortisation method for intangible assets are reviewed at each reporting date and adjusted if appropriate.

1.9 Impairment of other 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 should be 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 expensed 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 initially 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 and 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

1.11 Taxation *continued*

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 other comprehensive income or in equity. In this case, the taxation is also recognised in other comprehensive income 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 other comprehensive income.

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.

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. Refer to note 1 for the change in accounting policy.

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 equity in other comprehensive income 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

1.12 Employee benefits *continued*

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 equity in other comprehensive income 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.

1.13 Sale and repurchase (repo) agreements

The SARB has entered into repo agreements as part of its monetary policy activities. Securities purchased under agreements to resell are recorded under accommodation to banks as loans and receivables. 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 and reverse repo transactions, respectively. The SARB may change the spread from the repo rate 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.

Consumables 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 Statement of cash flows

For the purpose of the statement of cash flows, cash and cash equivalents include all cash on hand, bank overdrafts of subsidiaries and short-term South African money market instruments. As far as the SARB is concerned, no cash and cash equivalents are shown because of the SARB's role as central bank in the creation of money.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

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-taxation 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 a number of 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.

1.18 Total income

Interest income and interest expense are recognised on a time proportion basis, taking account of the principal outstanding and the effective interest rate over the period to maturity. Interest income and interest expense are recognised in profit or loss for all interest-bearing instruments on an accrual basis using the effective interest method. Interest income includes changes in the fair value of the SARB's financial assets. 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 and interest expense include 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.

Dividends are recognised when the right to receive payment is established.

Other income arising from the provision of services to clients is recognised on the accrual basis in accordance with the substance of the relevant transaction. This consists mainly of commission on banking services.

1.19 Key accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

There were no significant changes to the Group's estimates and assumptions in the current or prior year.

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 however 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

2. CASH AND CASH EQUIVALENTS

	GROUP		SARB	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Bank and cash balances	**31 274 437**	22 040 663	**–**	–
Short-term South African money market investments	**7 285 142**	3 635 162	**–**	–
Total cash and cash equivalents	**38 559 579**	25 675 825	**–**	–

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.

Financial instruments with an original maturity of less than three months are reflected above.

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.

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

Fair value of repurchase agreements	**4 599 404**	3 562 567	**–**	–
Fair value of collateral received	**4 753 096**	3 561 776	**–**	–
Fair value of collateral permitted to sell or repledge at the reporting date	**4 753 096**	3 561 776	**–**	–
Collateral cover	**103.34%**	99.98%	**–**	–
Maturity date	**5 April 2018**	6 April 2017	**–**	–

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 repurchase agreements. The Group has the ability to sell or repledge these securities in the event of default.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

3. ACCOMMODATION TO BANKS

	GROUP		SARB	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Repurchase agreements	**56 000 000**	56 000 000	**56 000 000**	56 000 000
Standing facility	**10 820 010**	3 674 323	**10 820 010**	3 674 323
Accrued interest	**29 918**	10 739	**29 918**	10 739
Total accommodation to banks	**66 849 928**	59 685 062	**66 849 928**	59 685 062

Accommodation to banks represents short-term lending to commercial banks.

Repurchase agreements

The repurchase agreements yield interest at the repurchase rate of the SARB	**6.50%**	7.00%	**6.50%**	7.00%

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

Fair value of collateral received	**56 227 943**	56 107 279	**56 227 943**	56 107 279
Fair value of collateral permitted to sell or repledge at the reporting date	**56 227 943**	56 107 279	**56 227 943**	56 107 279
Collateral cover	**100.35%**	100.17%	**100.35%**	100.17%

The collateral received consists of various South African government bonds and Treasury Bills with maturities ranging from days to years.

At the reporting date, none of the collateralised advances were past due or impaired. During the year under review, no defaults were experienced (2017: no defaults).

The counterparties are exposed to interest rate risk on the various securities pledged as collateral for the repurchase agreements. The SARB has the ability to sell or repledge these securities in the event of default.

Standing facility

The standing facilities yields interest at the repurchase rate of the SARB less 1%	**5.50%**	6.00%	**5.50%**	6.00%

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

Fair value of collateral received	**21 663 683**	3 674 323	**21 663 683**	3 674 323
Fair value of collateral permitted to sell or repledge at the reporting date	**21 663 683**	3 674 323	**21 663 683**	3 674 323
Collateral cover	**200.22%**	100.00%	**200.22%**	100.00%

The collateral received consists of South African government bonds and Treasury Bills with maturities ranging from days to years.

At the reporting date, none of the collateralised advances were past due or impaired. During the year under review, no defaults were experienced (2017: no defaults).

The counterparties are exposed to interest rate risk 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

4. INVESTMENTS

	GROUP		SARB	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Short-term South African money market investments	**5 833 619**	3 734 805	**–**	–
Maturity structure of financial assets				
Between 1 and 12 months	**5 833 619**	3 734 805	**–**	–
For investments that meet the definition of financial assets designated at fair value:				
Maximum exposure to credit risk	**5 833 619**	3 734 805	**–**	–

In terms of investment guidelines, 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. The change in fair value due to changes in credit quality or spreads is not material and has therefore not been disclosed separately.

5. OTHER ASSETS

	GROUP 2018 R'000	GROUP 2017 R'000	SARB 2018 R'000	SARB 2017 R'000
Financial assets	**1 276 080**	478 635	**1 122 332**	297 228
Non-financial assets	**399 426**	221 908	**358 225**	197 924
Total other assets	**1 675 506**	700 543	**1 480 557**	495 152
Maturity structure of financial assets				
Within 1 month	**984 472**	468 638	**849 072**	297 228
Between 1 and 12 months	**291 608**	9 997	**273 260**	–
Total financial assets	**1 276 080**	478 635	**1 122 332**	297 228

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

6. GOLD AND FOREIGN EXCHANGE

	GROUP		SARB	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Gold coin and bullion	**63 252 910**	66 337 802	**63 252 910**	66 337 802
Money- and capital-market instruments and deposits	**107 610 506**	102 582 443	**107 610 506**	102 582 443
Medium-term instruments	**333 333 502**	367 629 331	**333 333 502**	367 629 331
Portfolio investments	**88 400 725**	81 229 389	**88 400 725**	81 229 389
Accrued interest	**19 641**	4 156	**19 641**	4 156
Total gold and foreign exchange	**592 617 284**	617 783 121	**592 617 284**	617 783 121

Gold coin and bullion consists of 4 028 618 fine ounces of gold at the statutory price of R15 700.90 per ounce (2017: 4 026 987 fine ounces at R16 473.31 per ounce).

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.

Included in the gold and foreign exchange holdings are the following items provided for additional information purposes:

6.1 Derivatives held-for-trading

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 2018				
Forward exchange contracts	**45 150**	**103 391**	**(58 241)**	**46 561 889**
Futures contracts	**(29 945)**	**16 686**	**(46 631)**	**15 919 690**
Interest rate swaps	**45 132**	**55 388**	**(10 256)**	**6 794 222**
Total derivatives held-for-trading	**60 337**	**175 465**	**(115 128)**	**69 275 801**
Group and SARB 2017				
Forward exchange contracts	(116 860)	92 643	(209 503)	22 054 892
Futures contracts	10 927	35 473	(24 546)	27 570 750
Interest rate swaps	(13 066)	12 068	(25 134)	24 381 668
Total derivatives held-for-trading	(118 999)	140 184	(259 183)	74 007 310

(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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

6. GOLD AND FOREIGN EXCHANGE *continued*

6.2 Offsetting financial assets and financial liabilities relating to gold and foreign exchange

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:

	Gross amounts presented in the derivatives held-for-trading R'000	Offset R'000	Net amounts presented in the derivatives held-for-trading R'000	Related amounts not set off in derivatives held-for-trading		
				Instruments which offset on default R'000	Collateral amount received R'000	Net amount R'000
Group and SARB 2018						
Forward exchange contract assets	**103 391**	**–**	**103 391**	**(10 986)**	**–**	**92 405**
Interest rate swap assets	**55 388**	**–**	**55 388**	**(8 822)**	**–**	**46 566**
Forward exchange contract liabilities	**(58 241)**	**–**	**(58 241)**	**10 986**	**–**	**(47 255)**
Interest rate swap liabilities	**(10 256)**	**–**	**(10 256)**	**8 822**	**–**	**(1 434)**
Group and SARB 2017						
Forward exchange contract assets	92 643	–	92 643	(58 426)	–	34 217
Interest rate swap assets	12 068	–	12 068	(12 068)	–	–
Forward exchange contract liabilities	(209 503)	–	(209 503)	58 426	–	(151 077)
Interest rate swap liabilities	(25 134)	–	(25 134)	12 068	–	(13 066)

6.3 Special Drawing Rights

The Special Drawing Rights (SDRs) asset of R25.8 billion (2017: R26.9 billion) included in total gold on foreign exchange, carries interest at an effective rate of 0.85% (2017: 0.40%). National Treasury promissory notes have been pledged as collateral against these SDRs.

The following table presents details of collateral held:

	GROUP		SARB	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Fair value of collateral received	**47 587 672**	52 651 749	**47 587 672**	52 651 749
Collateral cover	**184.78%**	195.73%	**184.78%**	195.73%

At the reporting date, none of the collateralised advances were past due or impaired (2017: none). During the year under review, no defaults were experienced (2017: no defaults).

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

7. INVENTORIES

	Notes	GROUP 2018 R'000	GROUP 2017 R'000	SARB 2018 R'000	SARB 2017 R'000
Raw materials(1)		**222 487**	195 478	**–**	–
Work in progress(2)		**268 905**	175 798	**–**	–
Consumable stores		**56 132**	52 827	**6 470**	7 060
Maintenance spares		**70 731**	68 168	**–**	–
Finished goods(3)		**96 857**	92 960	**–**	–
Total inventories net of write-downs		**715 112**	585 231	**6 470**	7 060
Write-downs (included above)		**(41 024)**	(8 231)	**–**	–

Inventories are measured at the lower of cost and net realisable value.

(1) Raw materials consist mainly of substrate, ink, metals and chemicals.

(2) Work in progress consists mainly of banknotes and coins partially completed.

(3) Finished good consists mainly of banknotes and coins ready for delivery.

8. FORWARD EXCHANGE CONTRACT ASSETS AND LIABILITIES

	Notes	GROUP 2018 R'000	GROUP 2017 R'000	SARB 2018 R'000	SARB 2017 R'000
Unrealised gains on forward exchange contracts		**52 353**	317 081	**52 353**	317 081
Unrealised losses on forward exchange contracts		**(2 787 188)**	(3 120 834)	**(2 787 188)**	(3 120 834)
Net unrealised losses charged to GFECRA(4)	21	**(2 734 835)**	(2 803 753)	**(2 734 835)**	(2 803 753)

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

The notional amount of the forward exchange contracts amounts to R23.7 billion (2017: R38.1 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 2018						
Forward exchange contract assets	**52 353**	**–**	**52 353**	**(12 480)**	**–**	**39 873**
Forward exchange contract liabilities	**(2 787 188)**	**–**	**(2 787 188)**	**12 480**	**–**	**(2 774 708)**
Group and SARB 2017						
Forward exchange contract assets	317 081	–	317 081	(31 539)	–	285 542
Forward exchange contract liabilities	(3 120 834)	–	(3 120 834)	31 539	–	(3 089 295)

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

9. LOANS AND ADVANCES

	GROUP		SARB	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Secured foreign loan	**58 395**	60 434	**58 395**	60 434
Interest-bearing local loans	**17 511 786**	27 596 644	**–**	–
Total loans and advances	**17 570 181**	27 657 078	**58 395**	60 434

Secured foreign loan

The loan facility of R75.0 million (2017: R75.0 million) expires on 31 December 2018 if not renegotiated and carries interest at an effective rate of 6.94% (2017: 7.00%). Land Bank promissory notes have been pledged as collateral against the foreign loan.

The following table presents details of collateral held:

Fair value of collateral received	**81 932**	81 930	**81 932**	81 930
Fair value of collateral permitted to sell or repledge at the reporting date	**81 932**	81 930	**81 932**	81 930
Collateral cover	**140.31%**	135.57%	**140.31%**	135.57%
Maturity date	**29 May 2018**	4 May 2017	**29 May 2018**	4 May 2017

At the reporting date, none of the collateralised advances were past due or impaired (2017: none). During the year under review, no defaults were experienced (2017: no defaults).

The counterparties are exposed to interest rate risk on the various securities pledged as collateral for the foreign loan. The SARB has the ability to sell or repledge these securities in the event of default.

Interest-bearing local 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. National Treasury 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 6.99% (2017: 7.40%).

At the reporting date, none of the interest-bearing local loans were past due or impaired (2017: none). During the year under review, no defaults were experienced (2017: no defaults).

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

10. SOUTH AFRICAN GOVERNMENT BONDS

	GROUP		SARB	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Listed bonds: Interest-bearing	**8 029 342**	8 094 334	**8 029 342**	7 704 561
Accrued interest	**54 316**	59 079	**54 316**	57 632
Total South African government bonds	**8 083 658**	8 153 413	**8 083 658**	7 762 193
Effective interest rate	**8.40%**	8.19%	**8.27%**	8.25%
South African government bonds pledged as collateral for reverse repurchase agreements (note 16):				
Listed bonds pledged	**–**	1 271 339	**–**	1 271 339
Associated liability	**–**	1 255 514	**–**	1 255 514

The SARB is exposed to interest rate risk on the listed South African government bonds pledged as security. South African government bonds are pledged as collateral for reverse repurchase agreements. The counterparty has the ability to sell or repledge these bonds in the event of default.

11. EQUITY INVESTMENT IN BANK FOR INTERNATIONAL SETTLEMENTS

Unlisted shares at cost	**450 780**	470 557	**450 780**	470 557

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. Under *IAS 39 Financial Instruments: Recognition and Measurement*, the SARB's shareholding in the BIS is classified as 'available-for-sale'. The shareholding is valued at cost as no active market exists for these shares. The net asset value was adjusted by 30.00%. This adjustment is not subject to sensitivity. The adjusted net asset value of the shares is based on special drawing rights (SDR)[(1)] of SDR 24 276 (2017: SDR 23 952) amounting to R3.6 billion (2017: R3.7 billion).

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 2018, a movement of R19.8 million (2017: R71.8 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

12. PROPERTY, PLANT AND EQUIPMENT

12.1 Group 2018

	Land R'000	Buildings R'000	Plant, vehicles, furniture and equipment R'000	Valuable art R'000	Work in progress R'000	Total R'000
Cost						
Cost at 31 March 2017	**39 000**	**855 595**	**3 962 129**	**159 902**	**290 249**	**5 306 875**
Additions	**–**	**17 290**	**44 957**	**4 066**	**499 058**	**565 371**
Transfers in/(out)	**–**	**11 881**	**304 040**	**–**	**(315 691)**	**230**
Revaluation adjustments	**–**	**–**	**–**	**(38 321)**	**–**	**(38 321)**
Disposals	**(270)**	**–**	**(110 318)**	**(56)**	**–**	**(110 644)**
Cost at 31 March 2018	**38 730**	**884 766**	**4 200 808**	**125 591**	**473 616**	**5 723 511**
Accumulated depreciation						
Accumulated depreciation at 31 March 2017	**–**	**326 583**	**2 165 863**	**–**	**–**	**2 492 446**
Charge and impairment for the year	**–**	**95 908**	**294 375**	**–**	**–**	**390 283**
Disposals	**–**	**–**	**(77 034)**	**–**	**–**	**(77 034)**
Accumulated depreciation at 31 March 2018	**–**	**422 491**	**2 383 204**	**–**	**–**	**2 805 695**
Net book value at 31 March 2018	**38 730**	**462 275**	**1 817 604**	**125 591**	**473 616**	**2 917 816**

12.2 Group 2017

	Land R'000	Buildings R'000	Plant, vehicles, furniture and equipment R'000	Valuable art R'000	Work in progress R'000	Total R'000
Cost						
Cost at 31 March 2016	39 000	818 995	3 766 205	151 424	160 059	4 935 683
Additions	–	21 798	78 905	689	370 684	472 076
Transfers in/(out)	–	14 802	226 059	–	(238 323)	2 538
Revaluation adjustments	–	–	–	7 789	–	7 789
Disposals	–	–	(109 040)	–	(2 171)	(111 211)
Cost at 31 March 2017	39 000	855 595	3 962 129	159 902	290 249	5 306 875
Accumulated depreciation						
Accumulated depreciation at 31 March 2016	–	306 031	1 984 128	–	2 144	2 292 303
Charge and impairment for the year	–	20 552	284 368	–	27	304 947
Disposals	–	–	(102 633)	–	(2 171)	(104 804)
Accumulated depreciation at 31 March 2017	–	326 583	2 165 863	–	–	2 492 446
Net book value at 31 March 2017	39 000	529 012	1 796 266	159 902	290 249	2 814 429

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

12. PROPERTY, PLANT AND EQUIPMENT *continued*

12.3 SARB 2018

	Land R'000	Buildings R'000	Plant, vehicles, furniture and equipment R'000	Valuable art R'000	Work in progress R'000	Total R'000
Cost						
Cost at 31 March 2017	**29 305**	**580 873**	**1 605 874**	**159 902**	**229 358**	**2 605 312**
Additions	**–**	**6 685**	**–**	**4 066**	**347 667**	**358 418**
Transfers in/(out)	**–**	**907**	**141 050**	**–**	**(141 957)**	**–**
Revaluation adjustments	**–**	**–**	**–**	**(38 321)**	**–**	**(38 321)**
Disposals	**–**	**–**	**(104 193)**	**(56)**	**–**	**(104 249)**
Cost at 31 March 2018	**29 305**	**588 465**	**1 642 731**	**125 591**	**435 068**	**2 821 160**
Accumulated depreciation						
Accumulated depreciation at 31 March 2017	**–**	**236 790**	**990 783**	**–**	**–**	**1 227 573**
Charge and impairment for the year	**–**	**90 024**	**165 064**	**–**	**–**	**255 088**
Disposals	**–**	**–**	**(70 920)**	**–**	**–**	**(70 920)**
Accumulated depreciation at 31 March 2018	**–**	**326 814**	**1 084 927**	**–**	**–**	**1 411 741**
Net book value at 31 March 2018	**29 305**	**261 651**	**557 804**	**125 591**	**435 068**	**1 409 419**

12.4 SARB 2017

	Land R'000	Buildings R'000	Plant, vehicles, furniture and equipment R'000	Valuable art R'000	Work in progress R'000	Total R'000
Cost						
Cost at 31 March 2016	29 305	560 772	1 435 668	151 424	149 007	2 326 176
Additions	–	89	272	689	312 605	313 655
Transfers in/(out)	–	20 012	212 242	–	(232 254)	–
Revaluation adjustments	–	–	–	7 789	–	7 789
Disposals	–	–	(42 308)	–	–	(42 308)
Cost at 31 March 2017	29 305	580 873	1 605 874	159 902	229 358	2 605 312
Accumulated depreciation						
Accumulated depreciation at 31 March 2016	–	222 364	880 759	–	–	1 103 123
Charge and impairment for the year	–	14 426	149 696	–	–	164 122
Disposals	–	–	(39 672)	–	–	(39 672)
Accumulated depreciation at 31 March 2017	–	236 790	990 783	–	–	1 227 573
Net book value at 31 March 2017	29 305	344 083	615 091	159 902	229 358	1 377 739

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

13. INTANGIBLE ASSETS

13.1 Group 2018

	Computer software R'000	Work in progress R'000	Total R'000
Cost			
Cost at 31 March 2017	**900 260**	**9 396**	**909 656**
Additions	**798**	**133 369**	**134 167**
Transfers in/(out)	**97 210**	**(97 440)**	**(230)**
Disposals	**(6 250)**	**–**	**(6 250)**
Cost at 31 March 2018	**992 018**	**45 325**	**1 037 343**
Accumulated amortisation			
Accumulated amortisation at 31 March 2017	**429 725**	**–**	**429 725**
Charge and impairment for the year	**89 471**	**–**	**89 471**
Disposals	**(6 065)**	**–**	**(6 065)**
Accumulated amortisation at 31 March 2018	**513 131**	**–**	**513 131**
Net book value at 31 March 2018	**478 887**	**45 325**	**524 212**

13.2 Group 2017

	Computer software R'000	Work in progress R'000	Total R'000
Cost			
Cost at 31 March 2016	730 015	138 069	868 084
Additions	12 359	36 707	49 066
Transfers in/(out)	162 842	(165 380)	(2 538)
Disposals	(4 956)	–	(4 956)
Cost at 31 March 2017	900 260	9 396	909 656
Accumulated amortisation			
Accumulated amortisation at 31 March 2016	339 335	–	339 335
Charge and impairment for the year	94 040	–	94 040
Disposals	(3 650)	–	(3 650)
Accumulated amortisation at 31 March 2017	429 725	–	429 725
Net book value at 31 March 2017	470 535	9 396	479 931

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

13. INTANGIBLE ASSETS *continued*

13.3 SARB 2018

	Computer software R'000	Work in progress R'000	Total R'000
Cost			
Cost at 31 March 2017	**811 233**	**6 686**	**817 919**
Additions	**–**	**115 561**	**115 561**
Transfers in/(out)	**95 265**	**(95 265)**	**–**
Disposals	**(6 250)**	**–**	**(6 250)**
Cost at 31 March 2018	**900 248**	**26 982**	**927 230**
Accumulated amortisation			
Accumulated amortisation at 31 March 2017	**375 815**	**–**	**375 815**
Charge and impairment for the year	**76 132**	**–**	**76 132**
Disposals	**(6 065)**	**–**	**(6 065)**
Accumulated amortisation at 31 March 2018	**445 882**	**–**	**445 882**
Net book value at 31 March 2018	**454 366**	**26 982**	**481 348**

13.4 SARB 2017

	Computer software R'000	Work in progress R'000	Total R'000
Cost			
Cost at 31 March 2016	652 175	126 825	779 000
Additions	–	39 366	39 366
Transfers in/(out)	159 505	(159 505)	–
Disposals	(447)	–	(447)
Cost at 31 March 2017	811 233	6 686	817 919
Accumulated amortisation			
Accumulated amortisation at 31 March 2016	295 290	–	295 290
Charge and impairment for the year	80 907	–	80 907
Disposals	(382)	–	(382)
Accumulated amortisation at 31 March 2017	375 815	–	375 815
Net book value at 31 March 2017	435 418	6 686	442 104

14. DEFERRED TAXATION

		GROUP		SARB	
	Notes	**2018 R'000**	2017 R'000	**2018 R'000**	2017 R'000
Balance at the beginning of the year		**1 324 950**	1 880 608	**1 365 015**	1 865 404
Movements during the year:					
Current year timing differences	24	**(498 936)**	(538 593)	**(494 140)**	(485 557)
Prior year adjustments	24	**(30 962)**	(2 806)	**(31 133)**	(772)
Other comprehensive income		**146 193**	(14 259)	**140 658**	(14 060)
Balance at the end of the year		**941 245**	1 324 950	**980 400**	1 365 015
Comprising:					
Deferred taxation assets		**980 400**	1 365 015	**980 400**	1 365 015
Deferred taxation liabilities		**(39 155)**	(40 065)	**–**	–
Net deferred taxation assets		**941 245**	1 324 950	**980 400**	1 365 015

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

14. DEFERRED TAXATION *continued*

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

14.1 Group

	2016 R'000	Amounts charged to profit or loss R'000	Amounts charged to other compre-hensive income R'000	2017 R'000	**Amounts charged to profit or loss R'000**	**Amounts charged to other compre-hensive income R'000**	**2018 R'000**
Deferred retirement fund contributions	4 225	(4 225)	–	–	**–**	**–**	**–**
Post-employment benefits	582 866	52 852	48 335	684 053	**63 732**	**219 258**	**967 043**
Prepaid expenditure and other items	27 153	(24 355)	–	2 798	**8 471**	**–**	**11 269**
Revaluation adjustments	(25 141)	–	(6 768)	(31 909)	**–**	**8 584**	**(23 325)**
Property, plant and equipment	(370 284)	(19 087)	–	(389 371)	**24 975**	**–**	**(364 396)**
Intangible assets	(8 746)	11 407	–	2 661	**(3 006)**	**–**	**(345)**
Employee benefits accrual	68 896	20 645	–	89 541	**(16 128)**	**–**	**73 413**
Revenue received in advance	–	109 141	–	109 141	**52 831**	**–**	**161 972**
Fair value adjustments on South African government bonds	108 645	–	(55 826)	52 819	**(31 133)**	**(81 649)**	**(59 963)**
Taxation loss	1 492 994	(687 777)	–	805 217	**(629 640)**	**–**	**175 577**
Total	1 880 608	(541 399)	(14 259)	1 324 950	**(529 898)**	**146 193**	**941 245**

14.2 SARB

	2016 R'000	Amounts charged to profit or loss R'000	Amounts charged to other compre-hensive income R'000	2017 R'000	**Amounts charged to profit or loss R'000**	**Amounts charged to other compre-hensive income R'000**	**2018 R'000**
Deferred retirement fund contributions	4 225	(4 225)	–	–	**–**	**–**	**–**
Post-employment benefits	532 167	48 901	48 534	629 602	**59 821**	**213 723**	**903 146**
Prepaid expenditure and other items	5 124	(13 824)	–	(8 700)	**6 749**	**–**	**(1 951)**
Revaluation adjustments	(25 141)	–	(6 768)	(31 909)	**–**	**8 584**	**(23 325)**
Property, plant and equipment	(71 612)	(19 056)	–	(90 668)	**28 633**	**–**	**(62 035)**
Intangible assets	(3 731)	10 440	–	6 709	**(3 549)**	**–**	**3 160**
Employee benefits accrual	63 856	13 869	–	77 725	**(18 329)**	**–**	**59 396**
Revenue received in advance	–	109 141	–	109 141	**52 831**	**–**	**161 972**
Fair value adjustments on South African government bonds	108 645	–	(55 826)	52 819	**(31 133)**	**(81 649)**	**(59 963)**
Taxation loss	1 251 871	(631 575)	–	620 296	**(620 296)**	**–**	**–**
Total	1 865 404	(486 329)	(14 060)	1 365 015	**(525 273)**	**140 658**	**980 400**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

15. NOTES AND COIN IN CIRCULATION

	GROUP		SARB	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Notes	**140 413 751**	126 622 728	**140 413 751**	126 622 728
Coin	**5 916 404**	5 673 928	**5 916 404**	5 673 928
Total notes and coin in circulation	**146 330 155**	132 296 656	**146 330 155**	132 296 656

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	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Non-interest-bearing	**132 911 612**	126 544 610	**132 839 027**	126 472 022
Banks' reserve accounts	**98 503 992**	90 972 147	**98 503 992**	90 972 147
SA government accounts	**32 990 205**	34 409 437	**32 917 620**	34 336 849
Other current accounts	**1 417 415**	1 163 026	**1 417 415**	1 163 026
Interest-bearing	**147 108 718**	140 276 220	**78 801 140**	75 121 268
Reverse repurchase agreements	**–**	1 255 514	**–**	1 255 514
SA government special deposit	**67 157 404**	67 157 404	**67 157 404**	67 157 404
Banks' current accounts	**11 643 736**	6 708 350	**11 643 736**	6 708 350
Call deposits	**68 307 578**	65 154 952	**–**	–
Total deposit accounts	**280 020 330**	266 820 830	**211 640 167**	201 593 290
Maturity structure of deposit accounts				
On demand	**102 715 198**	100 727 415	**34 335 035**	35 499 875
Subject to negotiation with National Treasury	**67 157 404**	67 157 404	**67 157 404**	67 157 404
Within 1 month	**110 147 728**	98 936 011	**110 147 728**	98 936 011
	280 020 330	266 820 830	**211 640 167**	201 593 290

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 R35.5 million (2017: R2.0 billion).

Reverse repurchase agreements

The reverse repurchase agreements are secured by collateral as presented below:

	GROUP 2018	GROUP 2017	SARB 2018	SARB 2017
Market value of South African government bonds	**–**	1 271 339	**–**	1 271 339
Collateral cover	**0.00%**	101.26%	**0.00%**	101.26%

The reverse repurchase agreements bear interest at market-related rates or below the repo rate of the SARB (note 10).

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.

Call deposits

In terms of the current interest rate policies approved by the CPD Board, call deposits earn interest at a rate of ten basis points less than the 91-day Treasury bills yield. The prevailing rate at year-end was 6.89% (2017: 7.32%).

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

17. FOREIGN DEPOSITS

	GROUP		SARB	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Foreign deposits	**101 955 792**	106 655 316	**101 955 792**	106 655 316

Foreign deposits are placed by customers at market related rates. Analyses of the currency composition and maturity structure of these foreign deposits are set out in note 29.

18. OTHER LIABILITIES

	GROUP 2018 R'000	GROUP 2017 R'000	SARB 2018 R'000	SARB 2017 R'000
Accruals	**289 421**	337 877	**222 051**	286 561
Accounts payable	**204 280**	275 041	**106 092**	108 323
Other financial liabilities	**810 513**	478 826	**742 442**	449 048
Non-financial liabilities	**423 335**	226 458	**311 832**	128 432
Total other liabilities	**1 727 549**	1 318 202	**1 382 417**	972 364
Maturity structure of financial liabilities				
Within 1 month	**1 089 194**	1 083 663	**1 070 585**	843 932
Between 1 and 12 months	**215 020**	8 081	**–**	–
Total financial liabilities	**1 304 214**	1 091 744	**1 070 585**	843 932

Other financial liabilities consist mainly of sundry creditors. Non-financial liabilities consist mainly of amounts due to SA government.

19. SOUTH AFRICAN RESERVE BANK DEBENTURES

	GROUP 2018 R'000	GROUP 2017 R'000	SARB 2018 R'000	SARB 2017 R'000
Capital	**340 000**	610 000	**340 000**	610 000
Accrued interest	**406**	1 295	**406**	1 295
Total South African Reserve Bank debentures	**340 406**	611 295	**340 406**	611 295

The debentures are issued to the market on tender normally on a 7-, 14-, 28- or 56-day term. The debentures are unsecured. Details of the debentures in issue at 31 March 2018 are as follows:

Maturity date	**Interest rate%**	**Capital R'000**
4 April 2018	**6.74**	**40 000**
25 April 2018	**6.75**	**200 000**
25 April 2018	**6.71**	**100 000**
		340 000

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

20. POST-EMPLOYMENT BENEFITS

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

		GROUP		SARB	
	Notes	**2018 R'000**	2017 R'000	**2018 R'000**	2017 R'000
Amounts recognised in the statement of financial position					
Post-employment medical benefits	20.1	**2 703 833**	2 242 884	**2 482 196**	2 053 680
Post-employment group life benefits	20.2	**58 005**	45 698	**51 439**	40 435
Post-employment retirement fund benefits	20.3	**689 470**	153 301	**689 470**	153 301
Total post-employment benefits		**3 451 308**	2 441 883	**3 223 105**	2 247 416

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 the subsidiary 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 2018.

	Notes	GROUP 2018 R'000	GROUP 2017 R'000	SARB 2018 R'000	SARB 2017 R'000
Balance at the beginning of the year		**2 242 884**	2 041 699	**2 053 680**	1 865 003
Movement during the year:					
Amount recognised in profit or loss	23.2	**279 121**	257 528	**257 498**	236 819
Interest cost		**216 561**	197 220	**198 323**	180 161
Service cost		**62 560**	60 308	**59 175**	56 658
Cash movements					
Benefits paid		**(88 590)**	(78 923)	**(80 500)**	(71 911)
Amount recognised in other comprehensive income		**270 418**	22 580	**251 518**	23 769
Financial assumption loss		**286 193**	–	**264 928**	–
Experience (gain)/loss on liabilities		**(15 775)**	22 580	**(13 410)**	23 769
Balance at the end of the year		**2 703 833**	2 242 884	**2 482 196**	2 053 680

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 covers the total liability, that is, the accumulated post-employment group life benefit liability at 31 March 2018.

	Notes	GROUP 2018 R'000	GROUP 2017 R'000	SARB 2018 R'000	SARB 2017 R'000
Balance at the beginning of the year		**45 698**	38 798	**40 435**	34 427
Movement during the year:					
Amount recognised in profit or loss	23.2	**6 353**	5 478	**5 587**	4 815
Interest cost		**4 384**	3 726	**3 882**	3 308
Service cost		**1 969**	1 752	**1 705**	1 507
Cash movements					
Benefits paid		**(2 370)**	(1 931)	**(2 038)**	(1 679)
Amount recognised in other comprehensive income		**8 324**	3 353	**7 455**	2 872
Financial assumption loss		**4 893**	–	**4 342**	–
Experience loss on liabilities		**3 431**	3 353	**3 113**	2 872
Balance at the end of the year		**58 005**	45 698	**51 439**	40 435

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

20. POST-EMPLOYMENT BENEFITS

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 tri-annually with the 31 March 2018 valuation currently being concluded. Interim actuarial valuations are concluded annually (except in years where a statutory valuation is performed). 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 Services Board (FSB) 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 2018 was R4.0 billion (2017: 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 867 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 within the SARB. An *IAS 19 Employee Benefits* valuation of this defined benefit at 31 March 2018 was performed by an independent actuary, the result of which can be summarised as follows:

Group and SARB 2018	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**
Balance at the beginning of the year		**1 643 814**	**(1 490 513)**	**–**	**153 301**
Movement during the year:					
Amount recognised in profit or loss	23.2	**172 634**	**(138 849)**	**–**	**33 785**
Service cost		**17 867**	**–**	**–**	**17 867**
Interest cost		**160 048**	**(144 130)**	**–**	**15 918**
Expenses (recovered)/paid		**(5 281)**	**5 281**	**–**	**–**
Cash movements		**56 634**	**(58 573)**	**–**	**(1 939)**
Benefits paid/(received)		**56 634**	**(56 634)**	**–**	**–**
Employer contributions received		**–**	**(1 939)**	**–**	**(1 939)**
Amount recognised in other comprehensive income					
Financial assumption loss/(gain)		**568 132**	**(63 809)**	**–**	**504 323**
Balance at the end of the year		**2 441 214**	**(1 751 744)**	**–**	**689 470**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

20. POST-EMPLOYMENT BENEFITS *continued*

20.3 Post-employment retirement fund benefits *continued*

Group and SARB 2017	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
Balance at the beginning of the year		1 242 744	(1 325 535)	82 791	–
Movement during the year:					
Amount recognised in profit or loss	23.2	124 376	(122 847)	7 865	9 394
Service cost		8 911	–	–	8 911
Interest cost/(income)		120 331	(127 713)	7 865	483
Expenses (recovered)/paid		(4 866)	4 866	–	–
Cash movements		39 707	(42 496)	–	(2 789)
Benefits paid/(received)		39 707	(39 707)	–	–
Employer contributions received		–	(2 789)	–	(2 789)
Amount recognised in other comprehensive income					
Financial assumption loss/(gain)		236 987	365	(90 656)	146 696
Balance at the end of the year		1 643 814	(1 490 513)	–	153 301

Management does not use the *IAS 19 Employee Benefits* 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, 233 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 Employee Benefits*. The actuarial liability as at 31 March 2017 amounted to R168.3 million, while the plan assets towards this liability amounted to R182.2 million.

Since inception in 1995, there has not been a shortage in the pension account for any given year. The most recent interim valuation at 31 March 2017 found the fund to be fully funded, with the actuarial liability of pensions to be R1.2 billion with plan assets of R1.4 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 2018 per the interim valuation:

Local equities	30.65%
Local property	5.40%
Local fixed interest	26.18%
Cash	8.71%
Foreign investments	21.03%
Other	8.03%
	100.00%

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

20. POST-EMPLOYMENT BENEFITS *continued*

20.4 Key assumptions[1]

	Post-employment benefits	
	2018	2017
Discount rate (Post-employment group life and medical benefits)	**9.05%**	9.85%
Discount rate (Post-employment retirement fund benefits)	**8.80%**	9.50%
Medical inflation	**7.45%**	7.50%
Net discount rate (Post-employment medical benefits)	**1.49%**	2.19%
Net discount rate (Post-employment group life benefits)	**1.49%**	2.66%
Salary inflation	**7.00%**	7.00%
Premium rate	**0.50%**	0.38%
Inflation rate (Post-employment group life and medical benefits)	**5.95%**	6.00%
Inflation rate (Post-employment retirement fund benefits)	**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%**	6.00%
Category 2	**4.50%**	4.50%
Category 3	**2.70%**	2.70%
Valuation date	**31 March 2018**	31 March 2017

(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 2018

20. POST-EMPLOYMENT BENEFITS *continued*

20.5 Sensitivity analysis

	GROUP		SARB	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
The effect of a 1% increase and decrease in the discount rate is as follows:				
Employers' accrued liability				
1% decrease	**4 750 771**	3 338 767	**4 486 034**	3 114 318
Valuation basis	**3 451 308**	2 441 883	**3 223 105**	2 247 416
1% increase	**2 409 449**	1 981 765	**2 210 452**	1 811 383
Employers' service and interest cost				
1% decrease	**661 206**	411 096	**635 030**	387 188
Valuation basis(1)	**559 400**	272 400	**534 862**	251 028
1% increase	**468 346**	277 132	**445 229**	256 053
The effect of a 1% increase and decrease in the medical inflation rate is as follows:				
Employers' accrued liability				
1% decrease	**3 076 107**	2 086 719	**2 876 497**	1 916 015
Valuation basis	**3 451 308**	2 441 883	**3 223 105**	2 247 416
1% increase	**3 922 420**	2 823 243	**3 659 019**	2 599 622
Employers' service and interest cost				
1% decrease	**511 915**	371 451	**490 669**	352 096
Valuation basis(1)	**559 400**	272 400	**534 862**	251 028
1% increase	**619 983**	467 617	**591 358**	441 709
The effect of a one year increase and decrease in the post-retirement mortality rate is as follows:				
Employers' accrued liability				
1 year downward	**3 643 955**	2 454 057	**3 408 490**	2 265 247
Valuation basis	**3 451 308**	2 441 883	**3 223 105**	2 247 416
1 year upward	**3 257 588**	2 429 887	**3 036 607**	2 229 760
Employers' service and interest cost				
1 year downward	**582 863**	335 869	**557 546**	314 132
Valuation basis(1)	**559 400**	272 400	**534 862**	251 028
1 year upward	**535 756**	331 428	**511 993**	308 386
The effect of a 1% increase and decrease in the salary inflation rate is as follows:				
Employers' accrued liability				
1% decrease	**3 441 622**	2 436 429	**3 213 738**	2 242 200
Valuation basis	**3 451 308**	2 441 883	**3 223 105**	2 247 416
1% increase	**3 462 077**	2 447 906	**3 233 511**	2 253 168
Employers' service and interest cost				
1% decrease	**558 871**	310 951	**534 399**	289 529
Valuation basis(1)	**559 400**	272 400	**534 862**	251 028
1% increase	**560 007**	313 357	**535 392**	291 820
The effect of a one year increase and decrease in the base pension increase rate is as follows:				
Employers' accrued liability				
1 year downward	**3 093 114**	2 299 889	**2 864 911**	2 105 422
Valuation basis	**3 451 308**	2 441 883	**3 223 105**	2 247 416
1 year upward	**3 880 768**	2 610 793	**3 652 565**	2 416 326
Employers' service and interest cost				
1 year downward	**516 530**	284 023	**491 992**	262 651
Valuation basis(1)	**559 400**	272 400	**534 862**	251 028
1 year upward	**610 805**	327 217	**586 267**	305 845

(1) Forecast service and interest costs for the year ending 2019.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

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21. GOLD AND FOREIGN EXCHANGE CONTINGENCY RESERVE ACCOUNT

	Notes	GROUP 2018 R'000	GROUP 2017 R'000	SARB 2018 R'000	SARB 2017 R'000
Opening balance		**231 158 237**	304 653 118	**231 158 237**	304 653 118
Loss on gold price adjustment account		**(3 114 436)**	(6 851 052)	**(3 114 436)**	(6 851 052)
Profit on forward exchange contract adjustment account		**6 024 390**	9 682 790	**6 024 390**	9 682 790
Loss on foreign exchange adjustment account		**(40 444 664)**	(74 214 548)	**(40 444 664)**	(74 214 548)
Movement in unrealised gains/(losses) on forward exchange contracts		**68 918**	(2 298 019)	**68 918**	(2 298 019)
		193 692 445	230 972 289	**193 692 445**	230 972 289
Payments from National Treasury		**224 583**	185 948	**224 583**	185 948
Closing balance		**193 917 028**	231 158 237	**193 917 028**	231 158 237
Balance composition					
Balance currently due to SA government		**196 651 863**	233 961 990	**196 651 863**	233 961 990
Unrealised losses on forward exchange contracts	8	**(2 734 835)**	(2 803 753)	**(2 734 835)**	(2 803 753)
		193 917 028	231 158 237	**193 917 028**	231 158 237

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 R224.6 million was settled by SA government (2017: R185.9 million).

22. SHARE CAPITAL

	GROUP 2018 R'000	GROUP 2017 R'000	SARB 2018 R'000	SARB 2017 R'000
Authorised and issued				
2 000 000 shares (2017: 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

23.1 Total income includes:

	Notes	GROUP 2018 R'000	GROUP 2017 R'000	SARB 2018 R'000	SARB 2017 R'000
Income from investments		**45 581**	41 609	**48 088**	38 316
Dividends received		**47 299**	38 316	**47 299**	38 316
Fair value adjustments on investments		**(1 226)**	3 293	**–**	–
Realised (losses)/gains on available-for-sale financial assets		**(492)**	–	**789**	–
Income from subsidiaries and associate	34.5			**158 278**	234 049
Dividends received				**150 200**	150 200
Interest				**767**	77 639
Management fees				**7 311**	6 210
Commission on banking services		**994 244**	797 676	**994 244**	797 676

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

23. PROFIT BEFORE TAXATION *continued*

23.2 Operating costs include:

		GROUP		SARB	
	Notes	**2018 R'000**	2017 R'000	**2018 R'000**	2017 R'000
Directors' remuneration	34.7	**27 553**	26 045	**27 001**	25 594
For services as non-executive directors		**5 166**	4 693	**4 614**	4 242
For services as executive directors		**22 387**	21 352	**22 387**	21 352
Depreciation, amortisation and impairment	12 & 13	**479 754**	398 987	**331 220**	245 029
Buildings		**95 908**	20 552	**90 024**	14 426
Plant, vehicles, furniture and equipment		**294 375**	284 368	**165 064**	149 696
Work in progress		**–**	27	**–**	–
Computer software		**89 471**	94 040	**76 132**	80 907
Net loss/(profit) on disposal of:		**30 044**	3 922	**33 078**	2 266
Land		**(2 302)**	–	**–**	–
Plant, vehicles, furniture and equipment		**32 346**	4 162	**33 078**	2 331
Computer software		**–**	(240)	**–**	(65)
Write-down of inventories	7	**41 024**	8 231	**–**	–
Auditors' remuneration		**18 140**	40 180	**13 508**	36 608
Audit fees		**14 232**	17 431	**10 235**	13 900
Fees for other services		**3 908**	22 749	**3 273**	22 708
Consulting fees		**126 696**	91 847	**107 566**	69 176
Retirement benefit costs		**716 237**	582 930	**641 952**	510 208
Contributions to funds – Normal		**214 557**	206 037	**185 987**	177 597
Contributions to funds – Additional		**75 348**	9 144	**75 348**	9 144
Provision for post-employment medical benefits	20.1	**279 121**	257 528	**257 498**	236 819
Provision for post-employment group life benefits	20.2	**6 353**	5 478	**5 587**	4 815
Provision for post-employment retirement fund benefits	20.3	**33 785**	9 394	**33 785**	9 394
Premiums paid – Medical aid		**102 256**	91 197	**81 572**	70 716
Premiums paid – Group life		**4 817**	4 152	**2 175**	1 723
Remuneration and recurring staff costs		**2 193 222**	1 958 925	**1 813 304**	1 594 114
Cost of new currency		**212 951**	178 813	**1 041 853**	1 419 613
Other operating costs[1]		**1 641 473**	1 719 713	**652 205**	656 130

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

24. TAXATION

	Notes	GROUP 2018 R'000	GROUP 2017 R'000	SARB 2018 R'000	SARB 2017 R'000
South African normal taxation					
Current taxation		**(285 917)**	(176 120)	**(17 830)**	–
Deferred taxation					
Current year timing differences	14	**(498 936)**	(538 593)	**(494 140)**	(485 557)
Adjustment in respect of prior years	14	**(30 962)**	(2 806)	**(31 133)**	(772)
Total taxation		**(815 815)**	(717 519)	**(543 103)**	(486 329)
Reconciliation of taxation rate					
South African normal taxation rate		**28.00%**	28.00%	**28.00%**	28.00%
Adjusted for:					
Disallowable expenses		**2.23%**	0.15%	**2.46%**	0.17%
Exempt income and special deductions		**(6.22%)**	(3.32%)	**(4.09%)**	(2.50%)
Prior years		**1.14%**	0.07%	**1.71%**	0.04%
Effective taxation rate		**25.15%**	24.90%	**28.08%**	25.71%
Taxation paid					
Opening balance – taxation payable		**(4 740)**	(1 975)	**–**	–
Taxation for the year		**(285 917)**	(176 120)	**(17 830)**	–
Interest accrued		**153**	–	**–**	–
Closing balance – taxation payable[(1)]		**20 390**	4 740	**17 830**	–
Taxation paid		**(270 114)**	(173 355)	**–**	–

(1) Consists of taxation receivable of R5.0 million and taxation payable of R25.4 million.

25. DIVIDENDS PAID

	GROUP 2018 R'000	GROUP 2017 R'000	SARB 2018 R'000	SARB 2017 R'000
Dividends were paid as follows:				
Final dividend of 5 cents per share for the 2017 financial year	**100**	100	**100**	100
Interim dividend of 5 cents per share for the 2018 financial year	**100**	100	**100**	100
Total dividends paid	**200**	200	**200**	200

Earnings per share have not been calculated because the shares qualify for a maximum dividend of 10 cents per share per annum in terms of the SARB Act.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

26. CASH GENERATED FROM OPERATING ACTIVITIES

		GROUP		SARB	
	Notes	**2018 R'000**	2017 R'000	**2018 R'000**	2017 R'000
Reconciliation of profit before taxation to cash generated from operating activities					
Profit before taxation for the year		**3 243 512**	2 100 400	**1 934 104**	1 891 472
Adjustments for:					
Depreciation, amortisation and impairment	12 & 13	**479 754**	398 987	**331 220**	245 029
Net loss on disposal of fixed assets	23.2	**30 044**	3 922	**33 078**	2 266
(Profit)/loss from associate	34.2	**(423 903)**	556 480	**–**	–
Unrealised foreign exchange loss/(gain)	23.1	**9 991**	(5 044)	**–**	–
Fair value adjustments on investments	23.1	**2 507**	(3 293)	**–**	–
Realised gains on available-for-sale financial assets	23.1	**(789)**	–	**(789)**	–
Post-employment benefits		**226 360**	188 757	**212 393**	174 649
Coupon interest accrued		**4 763**	(1 102)	**3 316**	(1 102)
Amortisation of coupon interest		**(32 388)**	(29 405)	**(32 388)**	(29 405)
Net cash generated from operating activities		**3 539 851**	3 209 702	**2 480 934**	2 282 909
Changes in working capital					
Amounts due from subsidiaries		**–**	–	**(30 529)**	(3 453)
Accommodation to banks		**(7 164 866)**	(6 175 171)	**(7 164 866)**	(6 175 171)
Other assets		**(974 963)**	(55 378)	**(985 405)**	(103 451)
Gold and foreign exchange		**25 165 837**	70 619 942	**25 165 837**	70 619 942
Inventories		**(129 881)**	(119 391)	**590**	(370)
Loans and advances		**10 086 897**	(297 498)	**2 039**	1 942
South African government bonds		**389 773**	2 204	**–**	2 204
Equity investment in Bank for International Settlements		**19 777**	71 823	**19 777**	71 823
Notes and coin in circulation		**14 033 499**	1 735 029	**14 033 499**	1 735 029
Deposit accounts		**13 199 500**	(2 869 458)	**10 046 877**	1 345 168
Amounts due to subsidiaries		**–**	–	**(1 224 525)**	(868 917)
Other liabilities		**391 473**	455 618	**410 053**	354 371
Foreign deposits		**(4 699 524)**	4 571 982	**(4 699 524)**	4 571 982
South African Reserve Bank debentures		**(270 889)**	(2 565 125)	**(270 889)**	(2 565 125)
Gold and Foreign Exchange Contingency Reserve Account		**(37 310 127)**	(71 196 861)	**(37 310 127)**	(71 196 861)
Cash generated from/(utilised by) changes in working capital		**12 736 506**	(5 822 284)	**(2 007 193)**	(2 210 887)
Cash generated from/(utilised by) operating activities		**16 276 357**	(2 612 582)	**473 741**	72 022

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

27. CAPITAL COMMITMENTS

	GROUP		SARB	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Capital expenditure contracted for at the end of the reporting period but not yet incurred	**371 674**	363 142	**317 356**	252 429
Buildings	**4 308**	71 409	**–**	–
Plant, vehicles, furniture and equipment	**123 369**	257 840	**81 122**	221 626
Intangible assets	**243 997**	33 893	**236 234**	30 803
Capital expenditure approved but not yet contracted for at the end of the reporting period	**310 501**	130 285	**163 183**	36 162
Buildings	**11 266**	14 178	**–**	208
Plant, vehicles, furniture and equipment	**204 946**	97 443	**86 546**	24 797
Intangible assets	**94 289**	18 664	**76 637**	11 157
Total capital commitments	**682 175**	493 427	**480 539**	288 591

These capital commitments will be funded from internal resources.

28. EVENTS AFTER REPORTING DATE

The PA (as part of the Twin Peaks model of the financial sector regulation) was officially established as a juristic person operating within the administration of the SARB (as a division) on 1 April 2018. The PA is responsible for regulating banks, insurers, cooperative financial institutions, financial conglomerates and certain market infrastructures. The PA's objective will be to promote and enhance the safety and soundness of regulated financial institutions.

Certain staff from the Financial Services Board were moved across to the SARB effective 1 January 2018. The PA is fully operational and has its own budget. It will collect fees in the form of applications (effective 1 April 2018) and levies (effective 2019). While preparation and planning occurred during the financial year ended 31 March 2018, the full financial effect of this division will therefore only commence in the new financial year, with the costs attributed to the PA only to be fully recovered from the 2019/20 financial year onwards.

No other material events occurred between 31 March 2018 and the date of signing this report requiring disclosure in, or adjustment to, the financial statements for the year ended 31 March 2018.

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS

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.

Interest rate risk

With the exception of South African government bonds, 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 Monetary Policy Committee (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 strategic asset allocation, which is approved by the GEC. The risk budget is approved by the Reserves Management Committee (Resmanco).

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS *continued*

Market risk

Market risk is the risk of loss resulting from changes in market prices of securities. The SARB manages its market risks responsibly utilising modern technology and appropriate organisational structures and procedures. Exposures and limits are measured continually and are routinely reviewed by management.

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 risks, participants in the repurchase agreement transactions have to provide securities representing market values in excess of the exposures ('haircut valuations'). This means that the value of the securities divided by an appropriate ratio, as set out by the SARB, must at least be equal to the total repurchase agreement price. Treasury bills and South African Reserve Bank debentures are valued at the most recent auction's discount rates.

Currency risk

The SARB's exposure to currency risk from holding gold and foreign exchange reserves is limited by the fact that movements in gold and foreign exchange rates against the rand are for the account of the SA government in terms of the SARB Act. The SARB has currency risk limits and monitors them actively to ensure that they are contained within the overall risk budget of the SARB.

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 SARB such as advances to, and deposits made with, other institutions and the settlement of financial market transactions.

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 South African 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-'.

The rating of certain investment securities was below 'A' at year-end due to the downgrading of instruments or institutions by the rating agencies which resulted in passive breaches on some of the financial assets in the SARB's portfolios. Such securities have been retained in the portfolio.

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 the Financial Markets Department.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS *continued*

Concentration analysis

	GROUP		SARB	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Assets				
South African rand	**138 114 793**	125 521 272	**76 200 650**	68 125 451
Gold	**63 252 910**	66 337 802	**63 252 910**	66 337 802
United States dollar	**340 854 849**	311 523 823	**340 748 760**	311 352 525
Euro	**44 990 102**	101 320 207	**44 985 584**	101 310 878
Pound sterling	**46 344 365**	32 809 446	**46 344 365**	32 809 446
Chinese Yen	**41 210 754**	18 988 674	**41 210 754**	18 988 674
Other	**56 525 689**	87 454 353	**56 525 689**	87 454 353
Total financial assets	**731 293 462**	743 955 577	**669 268 712**	686 379 129
Liabilities				
South African rand	**624 634 009**	635 034 559	**563 621 997**	578 385 236
United States dollar	**86 757 146**	84 047 496	**86 698 257**	84 010 325
Euro	**5 027 381**	14 082 634	**5 020 972**	14 055 078
Pound sterling	**8**	5 745 595	**–**	5 745 578
Chinese Yen	**5 342 411**	–	**5 342 411**	–
Other	**4 894 158**	2 844 628	**4 894 152**	2 844 336
Total financial liabilities	**726 655 113**	741 754 912	**665 577 789**	685 040 553

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 Financial Markets Department. In addition, the SARB's foreign investment portfolio comprises mainly highly liquid investment instruments.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS *continued*

Liquidity risk *continued*

The table below analyses the financial 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 2018							
Liabilities							
Notes and coin in circulation	**146 330 155**	**–**	**–**	**–**	**–**	**–**	**146 330 155**
Deposit accounts	**169 872 602**	**110 147 728**	**–**	**–**	**–**	**–**	**280 020 330**
Foreign deposits	**13 574**	**101 942 218**	**–**	**–**	**–**	**–**	**101 955 792**
Other financial liabilities	**–**	**1 089 194**	**64 028**	**123 211**	**27 781**	**–**	**1 304 214**
South African Reserve Bank debentures	**–**	**340 406**	**–**	**–**	**–**	**–**	**340 406**
Forward exchange contract liabilities	**–**	**505 410**	**851 079**	**501 066**	**929 633**	**–**	**2 787 188**
Gold and Foreign Exchange Contingency Reserve Account	**193 917 028**	**–**	**–**	**–**	**–**	**–**	**193 917 028**
Total financial liabilities	**510 133 359**	**214 024 956**	**915 107**	**624 277**	**957 414**	**–**	**726 655 113**
Unrecognised financial liabilities							
Committed liquidity facility	**132 982 000**	**–**	**–**	**–**	**–**	**–**	**132 982 000**
Guarantees	**3 000 000**	**–**	**–**	**–**	**–**	**–**	**3 000 000**
Total unrecognised financial liabilities	**135 982 000**	**–**	**–**	**–**	**–**	**–**	**135 982 000**
GROUP 2017							
Liabilities							
Notes and coin in circulation	132 296 656	–	–	–	–	–	132 296 656
Deposit accounts	167 884 819	98 936 011	–	–	–	–	266 820 830
Foreign deposits	11 924	106 643 392	–	–	–	–	106 655 316
Other financial liabilities	–	1 083 663	8 081	–	–	–	1 091 744
South African Reserve Bank debentures	–	521 295	90 000	–	–	–	611 295
Forward exchange contract liabilities	–	233 723	1 698 861	157 895	376 975	653 380	3 120 834
Gold and Foreign Exchange Contingency Reserve Account	231 158 237	–	–	–	–	–	231 158 237
Total financial liabilities	531 351 636	207 418 084	1 796 942	157 895	376 975	653 380	741 754 912
Unrecognised financial liabilities							
Committed liquidity facility	89 600 000	–	–	–	–	–	89 600 000
Guarantees	3 000 000	–	–	–	–	–	3 000 000
Total unrecognised financial liabilities	92 600 000	–	–	–	–	–	92 600 000

(1) Amounts reflected at fair value. Undiscounted cash flows approximate fair value due to the short-term nature of the instruments.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS *continued*

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 2018							
Liabilities							
Notes and coin in circulation	**146 330 155**	**–**	**–**	**–**	**–**	**–**	**146 330 155**
Deposit accounts	**101 492 439**	**110 147 728**	**–**	**–**	**–**	**–**	**211 640 167**
Amounts due to subsidiaries	**7 536 468**	**–**	**–**	**–**	**–**	**–**	**7 536 468**
Foreign deposits	**13 574**	**101 942 218**	**–**	**–**	**–**	**–**	**101 955 792**
Other financial liabilities	**–**	**1 070 585**	**–**	**–**	**–**	**–**	**1 070 585**
South African Reserve Bank debentures	**–**	**340 406**	**–**	**–**	**–**	**–**	**340 406**
Forward exchange contract liabilities	**–**	**505 410**	**851 079**	**501 066**	**929 633**	**–**	**2 787 188**
Gold and Foreign Exchange Contingency Reserve Account	**193 917 028**	**–**	**–**	**–**	**–**	**–**	**193 917 028**
Total financial liabilities	**449 289 664**	**214 006 347**	**851 079**	**501 066**	**929 633**	**–**	**665 577 789**
Unrecognised financial liabilities							
Committed liquidity facility	**132 982 000**	**–**	**–**	**–**	**–**	**–**	**132 982 000**
Guarantees	**3 000 000**	**–**	**–**	**–**	**–**	**–**	**3 000 000**
Total unrecognised financial liabilities	**135 982 000**	**–**	**–**	**–**	**–**	**–**	**135 982 000**
SARB 2017							
Liabilities							
Notes and coin in circulation	132 296 656	–	–	–	–	–	132 296 656
Deposit accounts	102 657 279	98 936 011	–	–	–	–	201 593 290
Amounts due to subsidiaries	8 760 993	–	–	–	–	–	8 760 993
Foreign deposits	11 924	106 643 392	–	–	–	–	106 655 316
Other financial liabilities	–	843 932	–	–	–	–	843 932
South African Reserve Bank debentures	–	521 295	90 000	–	–	–	611 295
Forward exchange contract liabilities	–	233 723	1 698 861	157 895	376 975	653 380	3 120 834
Gold and Foreign Exchange Contingency Reserve Account	231 158 237	–	–	–	–	–	231 158 237
Total financial liabilities	474 885 089	207 178 353	1 788 861	157 895	376 975	653 380	685 040 553
Unrecognised financial liabilities							
Committed liquidity facility	89 600 000	–	–	–	–	–	89 600 000
Guarantees	3 000 000	–	–	–	–	–	3 000 000
Total unrecognised financial liabilities	92 600 000	–	–	–	–	–	92 600 000

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS *continued*

Liquidity risk *continued*

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. 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 forward exchange contract shall be for the account of the SA government.

Settlement risk

Settlement risk (i.e., 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.

Financial risk reporting in the SARB

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, 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, their possible impact on the key functions of the SARB, and how such risks are managed. The report, furthermore, attempts to highlight future risks that might adversely impact on the activities of the SARB. In line with international best practice, key risk types discussed in the reports are market, credit and operational risk in relation to market, monetary policy implementation and reserves management operations.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

30. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

		Fair value			Amortised cost		
	Total R'000	Held-for-trading R'000	Designated at fair value R'000	Available-for-sale R'000	Loans and receivables R'000	Other liabilities R'000	Fair value[1] R'000
GROUP 2018							
Financial assets							
Cash and cash equivalents	38 559 579	–	–	–	38 559 579	–	38 559 579
Accommodation to banks	66 849 928	–	–	–	66 849 928	–	66 849 928
Investments	5 833 619	–	5 833 619	–	–	–	–
Other financial assets	1 276 080	–	–	–	1 276 080	–	1 276 080
Gold and foreign exchange	592 617 284	175 465	592 441 819	–	–	–	–
Forward exchange contract assets	52 353	52 353	–	–	–	–	–
Loans and advances	17 570 181	–	–	–	17 570 181	–	17 570 181
South African government bonds	8 083 658	–	–	8 083 658	–	–	–
Equity investment in Bank for International Settlements[2]	450 780	–	–	450 780	–	–	3 606 304
Unrecognised financial assets							
Guarantees	–	–	–	–	–	–	3 000 000
Financial liabilities							
Notes and coin in circulation	146 330 155	–	–	–	–	146 330 155	146 330 155
Deposit accounts[3]	280 020 330	–	–	–	–	280 020 330	280 020 330
Foreign deposits	101 955 792	–	–	–	–	101 955 792	101 955 792
Other financial liabilities	1 304 214	–	–	–	–	1 304 214	1 304 214
South African Reserve Bank debentures	340 406	–	–	–	–	340 406	340 406
Forward exchange contract liabilities	2 787 188	2 787 188	–	–	–	–	–
Gold and Foreign Exchange Contingency Reserve Account	193 917 028	–	–	–	–	193 917 028	193 917 028
Unrecognised financial liabilities							
Committed liquidity facility	–	–	–	–	–	–	132 982 000
Guarantees	–	–	–	–	–	–	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) The equity investment in BIS is measured at cost.

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

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30. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES *continued*

		Fair value			Amortised cost		
	Total R'000	Held-for-trading R'000	Designated at fair value R'000	Available-for-sale R'000	Loans and receivables R'000	Other liabilities R'000	Fair value[(1)] R'000
GROUP 2017							
Financial assets							
Cash and cash equivalents	25 675 825	–	–	–	25 675 825	–	25 675 825
Accommodation to banks	59 685 062	–	–	–	59 685 062	–	59 685 062
Investments	3 734 805	–	3 734 805	–	–	–	–
Other financial assets	478 635	–	–	–	478 635	–	478 635
Gold and foreign exchange	617 783 121	140 184	617 642 937	–	–	–	–
Forward exchange contract assets	317 081	317 081	–	–	–	–	–
Loans and advances	27 657 078	–	–	–	27 657 078	–	27 657 078
South African government bonds	8 153 413	–	–	8 153 413	–	–	–
Equity investment in Bank for International Settlements[(2)]	470 557	–	–	470 557	–	–	3 714 265
Unrecognised financial assets							
Guarantees	–	–	–	–	–	–	3 000 000
Financial liabilities							
Notes and coin in circulation	132 296 656	–	–	–	–	132 296 656	132 296 656
Deposit accounts[(3)]	266 820 830	–	–	–	–	266 820 830	266 820 830
Foreign deposits	106 655 316	–	–	–	–	106 655 316	106 655 316
Other financial liabilities	1 091 744	–	–	–	–	1 091 744	1 091 744
South African Reserve Bank debentures	611 295	–	–	–	–	611 295	611 295
Forward exchange contract liabilities	3 120 834	3 120 834	–	–	–	–	–
Gold and Foreign Exchange Contingency Reserve Account	231 158 237	–	–	–	–	231 158 237	231 158 237
Unrecognised financial liabilities							
Committed liquidity facility	–	–	–	–	–	–	89 600 000
Guarantees	–	–	–	–	–	–	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) The equity investment in BIS is measured at cost.

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

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30. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES *continued*

		Fair value			Amortised cost		
	Total R'000	Held-for-trading R'000	Designated at fair value R'000	Available-for-sale R'000	Loans and receivables R'000	Other liabilities R'000	Fair value[1] R'000
SARB 2018							
Financial assets							
Amounts due by subsidiaries	33 982	–	–	–	33 982	–	33 982
Accommodation to banks	66 849 928	–	–	–	66 849 928	–	66 849 928
Other financial assets	1 122 332	–	–	–	1 122 332	–	1 122 332
Gold and foreign exchange	592 617 284	175 465	592 441 819	–	–	–	–
Forward exchange contract assets	52 353	52 353	–	–	–	–	–
Loans and advances	58 395	–	–	–	58 395	–	58 395
South African government bonds	8 083 658	–	–	8 083 658	–	–	–
Equity investment in Bank for International Settlements[2]	450 780	–	–	450 780	–	–	3 606 304
Unrecognised financial assets							
Guarantees	–	–	–	–	–	–	3 000 000
Financial liabilities							
Notes and coin in circulation	146 330 155	–	–	–	–	146 330 155	146 330 155
Deposit accounts[3]	211 640 167	–	–	–	–	211 640 167	211 640 167
Amounts due to subsidiaries	7 536 468	–	–	–	–	7 536 468	7 536 468
Foreign deposits	101 955 792	–	–	–	–	101 955 792	101 955 792
Other financial liabilities	1 070 585	–	–	–	–	1 070 585	1 070 585
South African Reserve Bank debentures	340 406	–	–	–	–	340 406	340 406
Forward exchange contract liabilities	2 787 188	2 787 188	–	–	–	–	–
Gold and Foreign Exchange Contingency Reserve Account	193 917 028	–	–	–	–	193 917 028	193 917 028
Unrecognised financial liabilities							
Committed liquidity facility	–	–	–	–	–	–	132 982 000
Guarantees	–	–	–	–	–	–	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) The equity investment in BIS is measured at cost.

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

30. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES *continued*

		Fair value			Amortised cost		
	Total R'000	Held-for-trading R'000	Designated at fair value R'000	Available-for-sale R'000	Loans and receivables R'000	Other liabilities R'000	Fair value[(1)] R'000
SARB 2017							
Financial assets							
Amounts due by subsidiaries	3 453	–	–	–	3 453	–	3 453
Accommodation to banks	59 685 062	–	–	–	59 685 062	–	59 685 062
Other financial assets	297 228	–	–	–	297 228	–	297 228
Gold and foreign exchange	617 783 121	140 184	617 642 937	–	–	–	–
Forward exchange contract assets	317 081	317 081	–	–	–	–	–
Loans and advances	60 434	–	–	–	60 434	–	60 434
South African government bonds	7 762 193	–	–	7 762 193	–	–	–
Equity investment in Bank for International Settlements[(2)]	470 557	–	–	470 557	–	–	3 714 265
Unrecognised financial assets							
Guarantees	–	–	–	–	–	–	3 000 000
Financial liabilities							
Notes and coin in circulation	132 296 656	–	–	–	–	132 296 656	132 296 656
Deposit accounts[(3)]	201 593 290	–	–	–	–	201 593 290	201 593 290
Amounts due to subsidiaries	8 760 993	–	–	–	–	8 760 993	8 760 993
Foreign deposits	106 655 316	–	–	–	–	106 655 316	106 655 316
Other financial liabilities	843 932	–	–	–	–	843 932	843 932
South African Reserve Bank debentures	611 295	–	–	–	–	611 295	611 295
Forward exchange contract liabilities	3 120 834	3 120 834	–	–	–	–	–
Gold and Foreign Exchange Contingency Reserve Account	231 158 237	–	–	–	–	231 158 237	231 158 237
Unrecognised financial liabilities							
Committed liquidity facility	–	–	–	–	–	–	89 600 000
Guarantees	–	–	–	–	–	–	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) The equity investment in BIS is measured at cost.

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

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31. FAIR VALUE HIERARCHY DISCLOSURES

The tables on pages 63 to 66 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 (2017: 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 statement of financial position 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. Instruments included in Level 1 comprise primarily fixed income investments classified as trading securities or available for sale.

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 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 forward exchange contracts is determined using forward exchange rates at the statement of financial position 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 an 'available-for-sale' investment and is valued at cost, as fair value cannot be reliably measured, as no active market exists for these shares. Changes in value are due to foreign exchange movements. 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

31. FAIR VALUE HIERARCHY DISCLOSURES *continued*

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
GROUP 2018				
Items measured at fair value				
Non-financial assets				
Property, plant and equipment	–	–	125 591	125 591
Financial assets				
South African government bonds	8 083 658	–	–	8 083 658
Equity investment in Bank for International Settlements[1]	–	–	450 780	450 780
Forward exchange contract assets	–	52 353	–	52 353
Investments	–	5 833 619	–	5 833 619
Gold and foreign exchange	316 801 639	275 815 645	–	592 617 284
Gold coin and bullion	63 252 910	–	–	63 252 910
Money- and capital-market instruments and deposits	–	107 630 147	–	107 630 147
Medium-term investments	213 434 741	119 898 761	–	333 333 502
Portfolio investments	40 113 988	48 286 737	–	88 400 725
Financial liabilities				
Forward exchange contract liabilities	–	2 787 188	–	2 787 188
Items measured at amortised cost				
Financial assets				
Cash and cash equivalents	31 274 437	7 285 142	–	38 559 579
Accommodation to banks	–	66 849 928	–	66 849 928
Other financial assets	–	1 276 080	–	1 276 080
Loans and advances	–	17 570 181	–	17 570 181
Financial liabilities				
Notes and coin in circulation	–	146 330 155	–	146 330 155
Deposit accounts	–	280 020 330	–	280 020 330
Foreign deposits	–	101 955 792	–	101 955 792
Other financial liabilities	–	1 304 214	–	1 304 214
South African Reserve Bank debentures	–	340 406	–	340 406
Gold and Foreign Exchange Contingency Reserve Account	–	193 917 028	–	193 917 028

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

31. FAIR VALUE HIERARCHY DISCLOSURES *continued*

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
GROUP 2017				
Items measured at fair value				
Non-financial assets				
Property, plant and equipment	–	–	159 902	159 902
Financial assets				
South African government bonds	8 153 413	–	–	8 153 413
Equity investment in Bank for International Settlements[(1)]	–	–	470 557	470 557
Forward exchange contract assets	–	317 081	–	317 081
Investments	–	3 734 805	–	3 734 805
Gold and foreign exchange	424 746 318	193 036 803	–	617 783 121
Gold coin and bullion	66 337 802	–	–	66 337 802
Money- and capital-market instruments and deposits	–	102 586 599	–	102 586 599
Medium-term investments	345 396 913	22 232 418	–	367 629 331
Portfolio investments	13 011 603	68 217 786	–	81 229 389
Financial liabilities				
Forward exchange contract liabilities	–	3 120 834	–	3 120 834
Items measured at amortised cost				
Financial assets				
Cash and cash equivalents	22 040 663	3 635 162	–	25 675 825
Accommodation to banks	–	59 685 062	–	59 685 062
Other financial assets	–	478 635	–	478 635
Loans and advances	–	27 657 078	–	27 657 078
Financial liabilities				
Notes and coin in circulation	–	132 296 656	–	132 296 656
Deposit accounts	–	266 820 830	–	266 820 830
Foreign deposits	–	106 655 316	–	106 655 316
Other financial liabilities	–	1 091 744	–	1 091 744
South African Reserve Bank debentures	–	611 295	–	611 295
Gold and Foreign Exchange Contingency Reserve Account	–	231 158 237	–	231 158 237

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

31. FAIR VALUE HIERARCHY DISCLOSURES *continued*

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
SARB 2018				
Items measured at fair value				
Non-financial assets				
Property, plant and equipment	–	–	125 591	125 951
Financial assets				
South African government bonds	8 083 658	–	–	8 083 658
Equity investment in Bank for International Settlements[1]	–	–	450 780	450 780
Forward exchange contract assets	–	52 353	–	52 353
Gold and foreign exchange	316 801 639	275 815 645	–	592 617 284
Gold coin and bullion	63 252 910	–	–	63 252 910
Money- and capital-market instruments and deposits	–	107 630 147	–	107 630 147
Medium-term investments	213 434 741	119 898 761	–	333 333 502
Portfolio investments	40 113 988	48 286 737	–	88 400 725
Financial liabilities				
Forward exchange contract liabilities	–	2 787 188	–	2 787 188
Items measured at amortised cost				
Financial assets				
Amounts due from subsidiaries	–	33 982	–	33 982
Accommodation to banks	–	66 849 928	–	66 849 928
Other financial assets	–	1 122 332	–	1 122 332
Loans and advances	–	58 395	–	58 395
Financial liabilities				
Notes and coin in circulation	–	146 330 155	–	146 330 155
Deposit accounts	–	211 640 167	–	211 640 167
Amounts due to subsidiaries	–	7 535 468	–	7 536 468
Foreign deposits	–	101 955 792	–	101 955 792
Other financial liabilities	–	1 070 585	–	1 070 585
South African Reserve Bank debentures	–	340 406	–	340 406
Gold and Foreign Exchange Contingency Reserve Account	–	193 917 028	–	193 917 028

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

31. FAIR VALUE HIERARCHY DISCLOSURES *continued*

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
SARB 2017				
Items measured at fair value				
Non-financial assets				
Property, plant and equipment	–	–	159 902	159 902
Financial assets				
South African government bonds	7 762 193	–	–	7 762 193
Equity investment in Bank for International Settlements[(1)]	–	–	470 557	470 557
Forward exchange contract assets	–	317 081	–	317 081
Gold and foreign exchange	424 746 318	193 036 803	–	617 783 121
Gold coin and bullion	66 337 802	–	–	66 337 802
Money- and capital-market instruments and deposits	–	102 586 599	–	102 586 599
Medium-term investments	345 396 913	22 232 418	–	367 629 331
Portfolio investments	13 011 603	68 217 786	–	81 229 389
Financial liabilities				
Forward exchange contract liabilities	–	3 120 834	–	3 120 834
Items measured at amortised cost				
Financial assets				
Accommodation to banks	–	59 685 062	–	59 685 062
Other financial assets	–	297 228	–	297 228
Loans and advances	–	60 434	–	60 434
Financial liabilities				
Notes and coin in circulation	–	132 296 656	–	132 296 656
Deposit accounts	–	201 593 290	–	201 593 290
Amounts due to subsidiaries	–	8 760 993	–	8 760 993
Foreign deposits	–	106 655 316	–	106 655 316
Other financial liabilities	–	843 932	–	843 932
South African Reserve Bank debentures	–	611 295	–	611 295
Gold and Foreign Exchange Contingency Reserve Account	–	231 158 237	–	231 158 237

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

32. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

	Total R'000	Designated at fair value R'000	Loans and receivables R'000	Available-for-sale R'000	Other liabilities at amortised cost R'000
GROUP 2018					
Interest income	**13 574 784**	**5 219 609**	**7 704 445**	**650 730**	**–**
Interest expense	**(8 040 836)**	**–**	**–**	**–**	**(8 040 836)**
Dividend income	**47 299**	**–**	**–**	**47 299**	**–**
Bond revaluation reserve	**291 605**	**–**	**–**	**291 605**	**–**
GROUP 2017					
Interest income	13 898 982	5 345 894	7 910 690	642 398	–
Interest expense	(8 316 523)	–	–	-	(8 316 523)
Dividend income	38 316	–	–	38 316	–
Bond revaluation reserve	199 379	–	–	199 379	–
SARB 2018					
Interest income	**9 165 348**	**4 622 544**	**3 892 074**	**650 730**	**–**
Interest expense	**(3 799 252)**	**–**	**–**	**–**	**(3 799 252)**
Dividend income	**197 499**	**–**	**–**	**197 499**	**–**
Bond revaluation reserve	**291 605**	**–**	**–**	**291 605**	**–**
SARB 2017					
Interest income	8 689 311	4 057 127	3 989 786	642 398	–
Interest expense	(3 246 438)	–	–	–	(3 246 438)
Dividend income	188 516	–	–	188 316	–
Bond revaluation reserve	199 379	–	–	199 379	–

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

33. COMMITMENTS AND GUARANTEES

33.1 Guarantees

R3.0 billion (2017: R3.0 billion) has been guaranteed by the SARB to ABL undertaking to settle unrecoverable loans that the Residual Debt Services Limited could not settle i.t.o the indemnity agreement. By 31 March 2018 this facility had not been utilised.

In turn, R3.0 billion (2017: R3.0 billion) has been guaranteed by the National Treasury 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. By 31 March 2018 this facility had not been utilised.

33.2 Committed liquidity facilities

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 as a buffer during times of market stress. Subsequently, the SARB has approved the provision of a CLF available to banks to assist banks to meet the liquidity coverage ratio (LCR).

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 2018 the total CLFs granted by the SARB for the period 1 January 2018 to 31 December 2018 amounted to R133.0 billion (2017: R89.6 billion), which have not yet been utilised. Commitment fees of R771.3 million (2017: R520.0 million) have been received for the period of 1 January 2018 to 31 December 2018 of which R192.8 million (2017: R130.0 million) is accounted for as income for the year ended 31 March 2018. The balance is reflected in other liabilities.

An interest rate of repo plus 1% 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 to the value of R143.8 billion (2017: R89.6 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

34. RELATED PARTY INFORMATION

34.1 Investment in subsidiaries

	Authorised and issued share capital		SARB	
	Number of shares '000	% held	2018 R'000	2017 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 (2017: R0.7 billion) bears no interest and has no fixed terms of repayment. No repayments were made during the year (2017: R0.3 billion). 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	
	2018 R'000	2017 R'000
Corporation for Public Deposits	**91 396**	73 522
South African Bank Note Company (RF) Proprietary Limited	**(5 712)**	130 270
South African Mint Company (RF) Proprietary Limited	**420 777**	299 357
Total contribution to Group profit	**506 461**	503 149

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

34. RELATED PARTY INFORMATION *continued*

34.2 Investment in associate

	Authorised and issued share capital		GROUP		SARB	
	Number of shares '000	**% held**	**2018 R'000**	2017 R'000	**2018 R'000**	2017 R'000
African Bank Holdings Limited (Carrying value)	500 000	50	**4 445 784**	5 002 264	**5 000 000**	5 000 000
Profit/(loss) attributable to Group profit			**423 903**	(556 480)	**–**	–
Carrying value of investment in associate			**4 869 687**	4 445 784	**5 000 000**	5 000 000

34.3 Transactions with non-controlling interests

Prestige Bullion

The South African Mint holds a 60% 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.

Rand Refinery has a 40% interest, and therefore holds a non-controlling interest in Prestige Bullion.

Profit attributable to non-controlling interest	**264 036**	181 268
Accumulated non-controlling interest at year-end	**64 160**	51 443
Dividends paid to non-controlling interest	**251 320**	210 000

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

34.4 Amounts due by/to related parties

Amounts due by related parties		
Corporation for Public Deposits	**–**	3 453
South African Bank Note Company (RF) Proprietary Limited	**9 213**	–
SA government	**17 511 786**	27 596 644
South African Mint Company (RF) Proprietary Limited	**24 769**	–
Amounts due to related parties		
African Bank Limited (equity accounted, not consolidated)	**–**	388 431
Corporation for Public Deposits	**7 536 468**	8 760 993
SA government	**362 358 235**	397 881 945
GEFCRA	**193 917 028**	231 158 237
Deposits		
Corporation for Public Deposits	**68 366 183**	65 229 455
Non-interest-bearing	**32 917 620**	34 336 849
Interest-bearing	**67 157 404**	67 157 404

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

34. RELATED PARTY INFORMATION *continued*

34.5 Transactions between the SARB and its related parties

	SARB	
	2018 R'000	2017 R'000
Dividends received	**150 200**	150 200
Corporation for Public Deposits	**200**	200
South African Mint Company (RF) Proprietary Limited	**150 000**	150 000
Interest received	**3 166 171**	3 789 897
African Bank Limited	**605**	77 320
Corporation for Public Deposits	**162**	319
SA government	**3 165 404**	3 712 258
Interest paid	**6 108 523**	6 541 689
African Bank Limited	**152**	4 948
Corporation for Public Deposits	**938 898**	736 392
SA government	**5 169 473**	5 800 349
Rent paid		
South African Bank Note Company (RF) Proprietary Limited	**2 804**	3 329
Coin management fees paid		
South African Mint Company (RF) Proprietary Limited	**2 777**	2 973
Management fees received	**7 311**	6 210
Corporation for Public Deposits	**3 053**	2 745
South African Reserve Bank Retirement Fund	**4 258**	3 465
Cost of new currency	**793 190**	1 414 512
South African Bank Note Company (RF) Proprietary Limited	**537 305**	944 899
South African Mint Company (RF) Proprietary Limited	**255 885**	469 613
Pension fund contributions		
South African Reserve Bank Retirement Fund	**261 335**	156 733
Administrative services	**3 526**	2 566
South African Bank Note Company (RF) Proprietary Limited	**925**	1 688
South African Mint Company (RF) Proprietary Limited	**2 601**	878
Recovery of foreign exchange gains		
South African Bank Note Company (RF) Proprietary Limited	**35 712**	48 588
Charges (other income)		
African Bank Limited	**353**	616

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

34.6 Inventory held on behalf of the SARB by the South African Mint

At year-end, coin inventory to the value of R291.0 million (2017: R391.0 million) was held on behalf of the SARB.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

34. RELATED PARTY INFORMATION *continued*

34.7 Directors' remuneration

	GROUP	
	2018 R'000	2017 R'000
Paid by SARB		
Executive directors: Remuneration		
Governor E L Kganyago		
Remuneration and recurring fringe benefits	**6 994**	6 577
Other fringe benefits	**85**	227
	7 079	6 804
Deputy governor A D Mminele		
Remuneration and recurring fringe benefits	**5 036**	4 736
Other fringe benefits	**129**	216
	5 165	4 952
Deputy governor F E Groepe		
Remuneration and recurring fringe benefits	**5 036**	4 736
Other fringe benefits	**107**	158
	5 143	4 894
Deputy governor K Naidoo		
Remuneration and recurring fringe benefits	**4 998**	4 702
Other fringe benefits	**2**	–
	5 000	4 702
Total remuneration of executive directors	**22 387**	21 352
Non-executive directors: Remuneration for services		
B W Smit	**421**	353
C B du Toit (appointed 30 July 2016)	**421**	220
F Cachalia	**560**	444
G M Ralfe	**520**	425
J F van der Merwe (term ended 30 July 2016)	**–**	184
J V Klein	**487**	380
M M Manyama (resigned 28 July 2017)	**137**	325
N Vink (appointed 30 July 2016)	**389**	220
R J G Barrow	**571**	449
R le Roux	**407**	356
T Ajam (term ended 5 October 2017)	**227**	353
T N Mgoduso (term ended 30 July 2016)	**–**	170
T Nombembe	**474**	363
	4 614	4 242
Paid by subsidiaries		
Non-executive directors: Remuneration for services		
R J G Barrow	**552**	451
Total remuneration of non-executive directors	**5 166**	4 693
Total remuneration of directors	**27 553**	26 045

ABBREVIATIONS

ABHL	African Bank Holdings Limited
ABL	African Bank Limited
AGM	annual ordinary general meeting
Annual report	South African Reserve Bank annual report
BIS	Bank for International Settlements
Board	Board of Directors
BREC	Board Risk and Ethics Committee
CA	Combined Assurance
CFO	Chief Financial Officer
CIA	Chief Internal Auditor
CLF	Committed liquidity facility
Companies Act	Companies Act 73 of 2008
CPD Act	Corporation for Public Deposits Act 46 of 1984
CPD	Corporation for Public Deposits
FMD	Financial Markets Department
FSB	Financial Services Board
GEC	Governors' Executive Committee
GFECRA	Gold and Foreign Exchange Contingency Reserve Account
Group	South African Reserve Bank including its subsidiaries and associate
IAD	Internal Audit Department
IASB	International Accounting Standards Board
IAS	International Accounting Standard
i.e.	id est (that is to say) (Latin)
IFRIC	International Financial Reporting Interpretations Committee
IFRSs	International Financial Reporting Standards
IGCC	Inter-Governmental Cash Co-ordination
IMF	International Monetary Fund
Inc.	Incorporated
Income Tax Act	Income Tax Act 58 of 1962
InsureCo	African Insurance Group Limited
IRBA Code	Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors
IT	information technology
JSE	JSE Limited
King IV	King Report on Corporate Governance in South Africa 2016
LCR	Liquidity coverage ratio
Ltd	Limited
MPC	Monetary Policy Committee
PA	Prudential Authority
Pension Funds Act	Pension Funds Act 24 of 1956
Prestige Bullion	Prestige Bullion (RF) Proprietary Limited
Pty	Proprietary
PwC	PricewaterhouseCoopers Inc.
Rand Refinery	Rand Refinery Proprietary Limited
RDSL	Residual Debt Services Limited
Repo	Sale and repurchase agreements
Repo rate	repurchase rate
Resmanco	Reserves Management Committee
RMC	Risk Management Committee
SABN	South African Bank Note Company (RF) Proprietary Limited
SA government	South African government
SARB Act	South African Reserve Bank Act 90 of 1989, as amended
SARB	South African Reserve Bank
SDR	Special Drawing Rights
SNG	SizweNtsalubaGobodo Inc.
South African Mint	South African Mint Company (RF) Proprietary Limited
US	United States of America

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