SOUTH AFRICAN RESERVE BANK GROUP ANNUAL FINANCIAL STATEMENTS 2018/19

PROMOTING
THE ECONOMIC WELL-BEING
OF SOUTH AFRICANS

South African Reserve Bank

Contents

ONLINE

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

FEEDBACK

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

Directors' report

for the year ended 31 March 2019

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, except as specified in note 1, 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 pages 6 and 7 of the Annual Report.

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

SUBSIDIARIES

The subsidiaries of the SARB are:

- The South African Mint Company (RF) Proprietary Limited (South African Mint), 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 15 to 23 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. Net investment income of the SARB, derived mainly from foreign investments and accommodation to banks, increased by R5.8 billion (2018: R76.8 million decrease). Operating costs increased by R1.8 billion (2018: R0.1 billion), mainly attributable to the cost of new currency. The net result of these factors was a profit after taxation of R4.6 billion (2018: R1.4 billion) for the year ended 31 March 2019.

The South African Mint (including Prestige Bullion) made a profit after taxation attributable to the parent of R0.7 billion (2018: R0.4 billion) and declared a dividend of R0.3 billion (2018: R0.2 billion) to the SARB. Refer to note 34 for further detail.

Directors' report continued

for the year ended 31 March 2019

SABN made a profit after taxation of R0.2 billion (2018: R5.7 million loss). Refer to note 34 for further detail.

The CPD recorded a profit after taxation of R92.1 million (2018: R91.4 million), of which R41.9 million (2018: R91.2 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.

ABHL made a profit of R0.5 billion before taxation (2018: R0.4 billion) attributable to the Group. Refer to note 34 for further detail.

FINANCIAL POSITION

The Group's total assets increased by R131.0 billion (2018: R12.2 billion decrease), largely as a result of increases in gold and foreign exchange reserves (reserves) of R122.8 billion (2018: R25.2 billion decrease) and investments of R11.0 billion (2018: R2.1 billion).

Total liabilities of the Group increased by R121.6 billion (2018: R13.9 billion decrease) largely as a result of increases in the Gold and Foreign Exchange Contingency Reserve Account (GFECRA) (used for the currency revaluation of foreign assets and liabilities which is for SA government's account) of R91.4 billion (2018: R37.2 billion decrease) and foreign deposits of R20.6 billion (2018: R4.7 billion decrease).

The increase in both total assets and total liabilities was mainly as a result of a weaker rand and a higher South African rand (ZAR) gold price.

The contingency reserve increased by R5.0 billion (2018: R1.8 billion) due to the profit after taxation achieved for the year as well as the impact of the transition to Internationational Financial Reporting Standards (IFRS) *9 Financial Instruments (IFRS 9)*.

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). As per the SARB Act a total dividend at the rate of 10% per annum on the paid-up share capital of the SARB was paid as follows: An interim dividend of five cents per share for the financial year was paid to shareholders on 26 October 2018; the final dividend, also of five cents per share, was paid on 10 May 2019.

DIRECTORS

The composition of the Board at 31 March 2019 is reported on pages 30 to 35.

The terms of office of V J (Venete) Klein (commerce or finance), as a shareholder-elected non-executive director, expired the day after the annual Ordinary General Meeting (AGM) held on 27 July 2018. She was not available for re-election.

At the AGM held in 2018, Y (Yvonne) Muthien was elected by shareholders to fill the position of non-executive director representing commerce or finance.

The terms of office of C B (Charlotte) du Toit (industry), B W (Benjamin) Smit (industry) and N (Nicholas) Vink as shareholder-elected non-executive directors will expire the day after the 2019 AGM. C B du Toit and N Vink are eligible for re-election and both have indicated that they are available. B W Smit has served three terms as a non-executive director and is therefore not eligible for re-election.

The term of office of F (Firoz) Cachalia as a SA government-appointed non-executive director expired on 17 July 2018. He was re-appointed with effect from 1 September 2018 for a further term of three years. At 31 March 2019, there were two vacancies for a government-appointed non-executive director on the Board. Ms L (Lerato) Molebatsi has since been appointed to fill one of these vacancies with effect from 1 April 2019.

F E (Francois) Groepe resigned as Deputy Governor with effect from 31 January 2019. As at 31 March 2019, the President of South Africa had not yet appointed a Deputy Governor into the vacancy.

The terms of office of E L (Lesetja) Kganyago as Governor and A D (Daniel) Mminele as Deputy Governor will expire on 9 November 2019 and 1 July 2019 respectively.

At 31 March 2019 and to date, none of the directors in office held any direct or indirect shareholding in the SARB.

Directors' fees for services rendered during the year under review are disclosed in note 34.7.

Directors' report continued

for the year ended 31 March 2019

EVENTS AFTER REPORTING DATE

No material events occurred between 31 March 2019 and 12 June 2019 requiring disclosure in, or adjustment to, the financial statements for the year ended 31 March 2019.

SECRETARY OF THE SARB

S L (Sheenagh) Reynolds

REGISTERED OFFICE

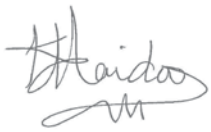
Business address:
370 Helen Joseph Street (formerly Church Street)
Pretoria 0002

Postal address:
PO Box 427
Pretoria 0001

The financial statements were approved by the Board on 12 June 2019 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



K (Kameshni) Naidoo
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 2019, have been completed and are up to date.

S L (Sheenagh) Reynolds
Secretary of the SARB

12 June 2019

Report of the Audit Committee

for the year ended 31 March 2019

The Audit Committee is a committee of the Board. All its members, including the Chairperson, are independent non-executive directors. Further information on the key strengths and company specific experience of the Audit Committee members can be found in the governance section of the Annual Report on pages 31 to 33. 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 functions of the Audit Committee included the audit governance responsibilities for the PA for the first time this year. The PA was formerly established on 1 April 2018.

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

The Audit Committee considered, and is satisfied with, the expertise and experience of the Group Chief Financial Officer (CFO). The finance function in the SARB has the expertise and adequate resources to support the 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 SARB 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. During the 2018/19 financial year, a key focus for the Audit Committee was the adoption of *IFRS 9* and the related disclosures in terms of *IFRS 7* in the financial statements. The Audit Committee is satisfied with the going concern status of the SARB.

INTERNAL AUDIT

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

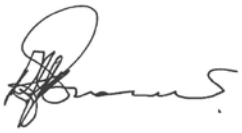
The Audit Committee is satisfied that the SARB has implemented appropriate processes and controls to ensure compliance with all applicable laws and regulations as they relate to financial reporting. This is based on the committee's review of reports received from both internal and external auditors,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

INFORMATION AND TECHNOLOGY

The Audit Committee is satisfied that the SARB is able to manage its information and technology (I&T) capability and that its I&T controls are appropriate to support the integrity of financial reporting. This is based on the committee's continuous review of reports from I&T 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 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.

PRESENTATION

In the financial statements,

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

CENTRAL BANKING

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

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

OPINION

We have audited the consolidated and separate financial statements of the South African Reserve Bank (the SARB) and its subsidiaries (together the Group), set out on pages 8 to 100, which comprise the consolidated and separate statement of financial position as at 31 March 2019, and the consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of cash flows and consolidated and separate statement 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 and the SARB for the year ended 31 March 2019 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 Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report.

INDEPENDENCE

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 consolidated and separate 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 the Directors' Report, Statement by the Secretary of the SARB, the Report of the Audit Committee and the Financial Reporting Framework of the Group Annual Financial Statements. The other information does not include the consolidated and separate financial statements and our auditors' report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF 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 basis of accounting 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 preparation is acceptable in the circumstances, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, directors are responsible for assessing the Group and the SARB's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and the SARB or to cease operations, or have no realistic alternative but to do so.

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

AUDITORS' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the SARB's internal control.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and the SARB's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Group and / or the SARB to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, and related disclosures made by directors.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Vincent Tshikhovhokhovho

Registered Auditor
4 Lisbon Lane
Waterfall City, Jukskei View
2090

12 June 2019

SizweNtsalubaGobodo Grant Thornton Inc.

SizweNtsalubaGobodo Grant Thornton Inc
Director: Agnes Dire

Registered Auditor
20 Morris Street East
Woodmead
2191

12 June 2019

Consolidated and separate statement of financial position

at 31 March 2019

		GROUP		SARB	
	Notes	**2019 R'000**	2018 R'000	**2019 R'000**	2018 R'000
Assets					
Cash and cash equivalents	2	**36 930 483**	38 559 579	**–**	–
Amounts due by Group companies	34.4	**–**	–	**20 844**	33 982
Accommodation to banks	3	**61 426 574**	66 849 928	**61 426 574**	66 849 928
Investments	4	**16 848 505**	5 833 619	**–**	–
Other assets	5	**1 523 919**	1 675 506	**1 266 827**	1 480 557
Gold and foreign exchange	6	**715 400 751**	592 617 284	**715 400 751**	592 617 284
Inventories	7	**1 252 739**	715 112	**5 315**	6 470
Forward exchange contract assets	8	**216 094**	52 353	**216 094**	52 353
Loans and advances	9	**17 632 742**	17 570 181	**56 976**	58 395
Current taxation prepaid	24	**1 418**	5 014	**–**	–
South African government bonds	10	**8 010 323**	8 083 658	**8 010 323**	8 083 658
Equity investment in Bank for International Settlements	11	**4 333 257**	450 780	**4 333 257**	450 780
Investment in subsidiaries	34.1	**–**	–	**1 011 000**	1 011 000
Investment in associate	34.2	**5 416 369**	4 869 687	**5 000 000**	5 000 000
Property, plant and equipment	12	**3 118 369**	2 917 816	**1 550 303**	1 409 419
Intangible assets	13	**630 871**	524 212	**583 538**	481 348
Deferred taxation assets	14	**97 100**	980 400	**97 100**	980 400
Total assets		**872 839 514**	741 705 129	**798 978 902**	678 515 574
Liabilities					
Notes and coin in circulation	15	**151 306 952**	146 330 155	**151 306 952**	146 330 155
Deposit accounts	16	**287 041 097**	280 020 330	**216 578 919**	211 640 167
Amounts due to Group companies	34.4	**–**	–	**871 752**	7 536 468
Foreign deposits	17	**122 558 637**	101 955 792	**122 558 637**	101 955 792
Other liabilities	18	**2 955 492**	1 727 549	**2 014 459**	1 382 417
South African Reserve Bank debentures	19	**25 023**	340 406	**25 023**	340 406
Forward exchange contract liabilities	8	**117 569**	2 787 188	**117 569**	2 787 188
Current taxation payable	24	**125 721**	25 404	**107 919**	17 830
Deferred taxation liabilities	14	**114 916**	39 155	**–**	–
Post-employment benefits	20	**2 710 236**	3 451 308	**2 505 724**	3 223 105
Gold and Foreign Exchange Contingency Reserve Account	21	**285 829 289**	193 917 028	**285 829 289**	193 917 028
Total liabilities		**852 784 932**	730 594 315	**781 916 243**	669 130 556
Capital and reserves[1]					
Share capital	22	**2 000**	2 000	**2 000**	2 000
Accumulated profit		**2 693 732**	1 716 482	**–**	–
Statutory reserve		**418 216**	395 164	**418 216**	395 164
Contingency reserve		**14 169 309**	9 214 442	**14 019 309**	9 255 712
Bank for International Settlements revaluation reserve[2]		**2 548 730**	–	**2 548 730**	–
Bond revaluation reserve[2]		**–**	383 676	**–**	383 676
Property, plant and equipment revaluation reserve		**86 948**	80 805	**86 948**	80 805
Post-employment benefit remeasurement reserve		**2 012**	(745 915)	**(12 544)**	(732 339)
Non-controlling interest		**133 635**	64 160	**–**	–
Total capital and reserves		**20 054 582**	11 110 814	**17 062 659**	9 385 018
Total liabilities, capital and reserves		**872 839 514**	741 705 129	**798 978 902**	678 515 574

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

(2) Refer to note 1.2.1 for more details regarding the adoption of *IFRS 9*.

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

for the year ended 31 March 2019

		GROUP		SARB	
	Notes	**2019 R'000**	2018 R'000	**2019 R'000**	2018 R'000
Interest income[1]	32	**8 140 641**	13 574 784	**3 779 695**	9 165 348
Interest income from fair value items[1]	32	**3 233 128**	–	**2 652 557**	–
Interest expense[1]	32	**(8 819 567)**	(8 040 836)	**(4 055 811)**	(3 799 252)
Net interest income[1]		**2 554 202**	5 533 948	**2 376 441**	5 366 096
Fair value gains[1]	32	**8 841 454**	–	**8 839 459**	–
Dividend income	32	**39 181**	47 299	**289 381**	197 499
Operating income		**4 374 621**	2 725 456	**1 323 476**	1 032 196
Total income	23.1	**15 809 458**	8 306 703	**12 828 757**	6 595 791
Operating costs	23.2	**(7 866 570)**	(5 487 094)	**(6 477 668)**	(4 661 687)
Share of net profit of associate accounted for using the equity method	34.2	**546 682**	423 903	**–**	–
Profit before taxation		**8 489 570**	3 243 512	**6 351 089**	1 934 104
Taxation	24	**(2 230 637)**	(815 815)	**(1 740 446)**	(543 103)
Profit for the year		**6 258 933**	2 427 697	**4 610 643**	1 391 001
Attributable to:					
The parent		**5 821 098**	2 163 661		
Non-controlling interest	34.3	**437 835**	264 036		
		6 258 933	2 427 697		
Other comprehensive income (net of taxation)					
Items that will not be reclassified to profit or loss					
Remeasurement of post-employment benefits		**747 927**	(563 806)	**719 795**	(549 572)
Revaluation adjustments of property, plant and equipment		**6 143**	(29 737)	**6 143**	(29 737)
Net gains on investments in equity instruments designated at fair value through other comprehensive income[1]		**100 043**	–	**100 043**	–
Items that may subsequently be reclassified to profit or loss					
Unrealised gains on available-for-sale financial assets[1]		**–**	210 524	**–**	210 524
Realised gains on available-for-sale financial assets[1]		**–**	(568)	**–**	(568)
Total comprehensive income for the year (net of taxation)		**7 113 046**	2 044 110	**5 436 624**	1 021 648
Attributable to:					
The parent		**6 675 211**	1 780 074		
Non-controlling interest	34.3	**437 835**	264 036		
Total comprehensive income		**7 113 046**	2 044 110		

(1) Refer to note 1.2.1 for more details regarding the adoption of *IFRS 9*. Prior year figures were not restated.

Consolidated and separate statement of cash flows

for the year ended 31 March 2019

		GROUP		SARB	
	Notes	**2019 R'000**	2018 R'000	**2019 R'000**	2018 R'000
Cash flows generated from operating activities					
Cash generated from operating activities	26	**12 835 863**	16 276 357	**2 368 431**	473 741
Taxation received	24	**5 128**	–	**–**	–
Taxation paid	24	**(2 201 140)**	(270 114)	**(1 784 466)**	–
Dividends paid [1]	25 & 34	**(368 560)**	(251 520)	**(200)**	(200)
Transfer to SA government[1]		**(91 196)**	(73 322)	**–**	–
Net cash flows generated from operating activities		**10 180 095**	15 681 401	**583 765**	473 541
Net cash flows utilised by investing activities		**(11 809 191)**	(2 797 647)	**(583 765)**	(473 541)
Purchase of PPE	12	**(622 789)**	(565 371)	**(423 633)**	(358 418)
Proceeds on disposal of PPE		**28 727**	3 213	**26 253**	438
Purchase of intangible assets	13	**(202 238)**	(134 167)	**(186 385)**	(115 561)
Net acquisition of investments		**(11 012 891)**	(2 101 322)	**–**	–
Net (decrease)/increase in cash and cash equivalents		**(1 629 096)**	12 883 754	**–**	–
Cash and cash equivalents at the beginning of the year		**38 559 579**	25 675 825	**–**	–
Cash and cash equivalents at the end of the year		**36 930 483**	38 559 579	**–**	–

(1) Further detail 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 2019

	Share capital R'000	Accumulated profit R'000	Statutory reserve R'000	Contingency reserve R'000	Bond revaluation reserve R'000	BIS revaluation reserve	PPE revaluation reserve R'000	PEB remeasurement reserve R'000	Total R'000	Non-controlling interest R'000	Total R'000
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 PEB	–	–	–	–	–	–	–	(563 806)	(563 806)	–	(563 806)
Revaluation of PPE	–	–	–	–	–	–	(29 737)	–	(29 737)	–	(29 737)
Unrealised gain on available-for-sale financial assets	–	–	–	–	210 524	–	–	–	210 524	–	210 524
Realised gains on available-for-sale financial assets	–	–	–	–	(568)	–	–	–	(568)	–	(568)
Dividends paid	–	(200)	–	–	–	–	–	–	(200)	(251 520)	(251 520)
Transfer (from)/to reserves	–	(1 814 704)	–	1 814 704	–	–	–	–	–	–	–
Transfer to SA government	–	(91 196)	–	–	–	–	–	–	(91 196)	–	(91 196)
Balance at 31 March 2018 (as previously reported)	**2 000**	**1 716 482**	**395 164**	**9 214 442**	**383 676**	**–**	**80 805**	**(745 915)**	**11 046 654**	**64 160**	**11 110 814**
Impact on transition to *IFRS 9* – recognition of BIS fair value movements	**–**	**–**	**–**	**–**	**–**	**2 448 687**	**–**	**–**	**2 448 687**	**–**	**2 448 687**
Impact on transition to *IFRS 9* – net gains/(losses) on reclassification of financial assets from FVOCI to FVPL	**–**	**383 676**	**–**	**–**	**(383 676)**	**–**	**–**	**–**	**–**	**–**	**–**
Impact on transition to *IFRS 9* – transfer (from)/to reserves	**–**	**(383 676)**	**–**	**383 676**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balance at 31 March 2018 (restated)	**2 000**	**1 716 482**	**395 164**	**9 598 118**	**–**	**2 448 687**	**80 805**	**(745 915)**	**13 495 341**	**64 160**	**13 559 501**
Total comprehensive income for the year	**–**	**5 821 098**	**–**	**–**	**–**	**100 043**	**6 143**	**747 927**	**6 675 211**	**437 835**	**7 113 046**
Profit for the year	**–**	**5 821 098**	**–**	**–**	**–**	**–**	**–**	**–**	**5 821 098**	**437 835**	**6 258 933**
Remeasurement of PEB	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**747 927**	**747 927**	**–**	**747 927**
Revaluation of PPE	**–**	**–**	**–**	**–**	**–**	**–**	**6 143**	**–**	**6 143**	**–**	**6 143**
Net gains on investments in equity instruments designated at FVOCI	**–**	**–**	**–**	**–**	**–**	**100 043**	**–**	**–**	**100 043**	**–**	**100 043**
Dividends paid	**–**	**(200)**	**–**	**–**	**–**	**–**	**–**	**–**	**(200)**	**(368 360)**	**(368 560)**
Transfer (from)/to reserves	**–**	**(4 594 243)**	**23 052**	**4 571 191**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Transfer to SA government	**–**	**(249 405)**	**–**	**–**	**–**	**–**	**–**	**–**	**(249 405)**	**–**	**(249 405)**
Balance at 31 March 2019	**2 000**	**2 693 732**	**418 216**	**14 169 309**	**–**	**2 548 730**	**86 948**	**2 012**	**19 920 947**	**133 635**	**20 054 582**

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 were recognised in OCI. When these financial assets were sold, collected or otherwise disposed of, the cumulative gain or loss previously recognised in OCI was recognised in profit or loss. From 1 April 2018, the Group has applied *IFRS 9,* and SA government bonds which were previously classified as available-for-sale, now do not meet the business model test. As a result, the previously accumulated gains and losses accrued in the bond revaluation reserve of R0.4 billion for Group (SARB: R0.4 billion) was reclassified to accumulated profit and future fair value gains and losses will be accounted for in profit or loss. Refer to note 1.2.1 for more details regarding the adoption of *IFRS 9*.

Bank for International Settlements (BIS) revaluation reserve

From 1 April 2018, the Group has applied *IFRS 9, a*nd *IFRS 9* removes the requirement in *IAS 39 Financial Instruments: Recognition and Measurement (IAS 39)* to measure unquoted equity investments at cost where the fair value cannot be determined reliably. As a result the net fair value gains after taxation of R2.4 billion for Group (SARB: R2.4 billion) on the revaluation of BIS shares (previously not recognised) will be recognised in OCI on 1 April 2018 as well as any future fair value gains and losses. Refer to note 1.2.1 for more details regarding the adoption of *IFRS 9*.

Property, plant and equipment (PPE) revaluation reserve

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

Post-employment benefit (PEB) remeasurement reserve

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

Transfer to SA government

In terms of section 24 of the SARB Act, nine-tenths of the surplus of the SARB, after provisions normally provided for by bankers and payment of dividends, has to be paid to SA government. For the year ended 31 March 2019 an amount of R207.5 million (2018: R0) was due to the SA government by the SARB.

In terms of section 15 of the CPD Act, the balance of net profits after transfers to reserves and payment of dividends has to be paid to SA government. For the year ended 31 March 2019 an amount of R41.9 million (2018: R91.2 million) was due to SA government by the CPD.

Separate statement of changes in equity: SARB

for the year ended 31 March 2019

	Share capital R'000	Accumulated profit R'000	Statutory reserve R'000	Contingency reserve R'000	Bond revaluation reserve R'000	BIS revaluation reserve	PPE revaluation reserve R'000	PEB remeasure-ment reserve R'000	Total R'000
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 PEB	–	–	–	–	–	–	–	(549 572)	(549 572)
Revaluation of PPE	–	–	–	–	–	–	(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)
Dividends paid	–	(200)	–	–	–		–	–	(200)
Transfer (from)/to reserves	–	(1 390 801)	–	1 390 801	–	–	–	–	–
Balance at 31 March 2018 (as previously reported)	**2 000**	**–**	**395 164**	**9 255 712**	**383 676**	**–**	**80 805**	**(732 339)**	**9 385 018**
Impact on transition to *IFRS 9* – recognition of BIS fair value movements	**–**	**–**	**–**	**–**	**–**	**2 448 687**	**–**	**–**	**2 448 687**
Impact on transition to *IFRS 9* – net gains/(losses) on reclassification of financial assets from FVOCI to FVPL	**–**	**383 676**	**–**	**–**	**(383 676)**	**–**	**–**	**–**	**–**
Impact on transition to *IFRS 9* – transfer (from)/to reserves	**–**	**(383 676)**	**–**	**383 676**	**–**	**–**	**–**	**–**	**–**
Balance at 31 March 2018 (restated)	**2 000**	**–**	**395 164**	**9 639 388**	**–**	**2 448 687**	**80 805**	**(732 339)**	**11 833 705**
Total comprehensive income for the year	**–**	**4 610 643**	**–**	**–**	**–**	**100 043**	**6 143**	**719 795**	**5 436 624**
Profit for the year	**–**	**4 610 643**	**–**	**–**	**–**	**–**	**–**	**–**	**4 610 643**
Remeasurement of PEB	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**719 795**	**719 795**
Revaluation of PPE	**–**	**–**	**–**	**–**	**–**	**–**	**6 143**	**–**	**6 143**
Net gains on investments in equity instruments designated at FVOCI	**–**	**–**	**–**	**–**	**–**	**100 043**	**–**	**–**	**100 043**
Dividends paid	**–**	**(200)**	**–**	**–**	**–**	**–**	**–**	**–**	**(200)**
Transfer (from)/to reserves	**–**	**(4 402 973)**	**23 052**	**4 379 921**	**–**	**–**	**–**	**–**	**–**
Transfer to SA government	**–**	**(207 470)**	**–**	**–**	**–**	**–**	**–**	**–**	**(207 470)**
Balance at 31 March 2019	**2 000**	**–**	**418 216**	**14 019 309**	**–**	**2 548 730**	**86 948**	**(12 544)**	**17 062 659**

Separate statement of changes in equity: SARB continued

for the year ended 31 March 2019

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 were recognised in OCI. When these financial assets were sold, collected or otherwise disposed of, the cumulative gain or loss previously recognised in OCI was recognised in profit or loss. From 1 April 2018, the SARB has applied *IFRS 9* and SA government bonds which were previously classified as available-for-sale, now do not meet the business model test. As a result, the previously accumulated gains and losses accrued in the bond revaluation reserve of R0.4 billion was reclassified to accumulated profit and future fair value gains and losses will be accounted for in profit or loss. Refer to note 1.2.1 for more details regarding the adoption of *IFRS 9*.

BIS revaluation reserve

From 1 April 2018, the Group has applied *IFRS 9,* and *IFRS 9* removes the requirement in *IAS 39* to measure unquoted equity investments at cost where the fair value cannot be determined reliably. As a result the net fair value gains after taxation of R2.4 billion on the revaluation of BIS shares (previously not recognised) will be recognised in OCI on 1 April 2018 as well as any future fair value gains and losses. Refer to note 1.2.1 for more details regarding the adoption of *IFRS 9*.

PPE revaluation reserve

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

PEB remeasurement reserve

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

Transfer to SA government

In terms of section 24 of the SARB Act, nine-tenths of the surplus of the SARB, after provisions normally provided for by bankers and payment of dividends, has to be paid to SA government. For the year ended 31 March 2019 an amount of R207.5 million (2018: R0) was due to the SA government by the SARB.

Notes to the consolidated and separate financial statements

for the year ended 31 March 2019

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.

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:

IFRS 9 Financial Instruments

With effect from 1 January 2018, *IFRS 9* replaces *IAS 39*. *IFRS 9* introduced new requirements, 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*. However, some changes were made to the option to designate financial liabilities at fair value through profit or loss (FVPL) whereby the amount of change in the fair value of the financial liability, that is attributable to changes in the credit risk of that liability, shall be presented in OCI. 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* 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* carries forward the derecognition requirements of financial assets and liabilities from *IAS 39.*

The mandatory effective date of the amendment is for years beginning on or after 1 January 2018. The Group has adopted the amendment for the first time in the 2019 financial statements, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Group did not early adopt any of *IFRS 9* in previous periods.

As permitted by the transitional provisions of *IFRS 9*, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening accumulated reserves and other reserves of the current period. Consequently, for notes disclosures, the consequential amendments to *IFRS 7* have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of *IFRS 9* has resulted in changes in the Group's accounting policies for recognition, classification and measurement of financial assets and liabilities and impairment of financial assets. *IFRS 9* also significantly amends other standards dealing with financial instruments such as *IFRS 7*.

Set out below are disclosures relating to the impact of the adoption of *IFRS 9* on the Group. Further details of the specific *IFRS 9* accounting policies applied in the current period (as well as the previous *IAS 39* accounting policies applied in the comparative period) are described in more detail in note 1.4 below.

Classification and measurement of financial instruments

The Group performed a detailed analysis of its business models for managing financial assets and its cash flow characteristics. Please refer to notes 1.4.1.1 and 1.4.2.1 for more detailed information regarding the new classification requirements of *IFRS 9*.

The following explains how applying the new classification requirements of *IFRS 9* led to changes in classification of certain financial instruments as shown by the tables below:

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

1. ACCOUNTING POLICIES continued

1.2 New standards and interpretations continued

1.2.1 New and amended standards adopted by the Group continued

***IFRS 9 Financial Instruments** continued*

***Classification and measurement of financial instruments** continued*

(A) Instruments governed by the SARB Act

In terms of sections 25 to 28 of the SARB Act all gains and losses on gold held by the SARB and foreign exchange profits or losses of the SARB (as explained in note 1.6), insofar as they arise from changes in the value of the rand compared to other currencies, are for the account of the SA government and consequently all these profits or losses are transferred to GFECRA. Regardless of the classification as per *IFRS 9*, the accounting treatment for gold, Special Drawing Rights (SDR), forward exchange contract (FEC) assets and liabilities and the GFECRA as governed by the SARB Act, will not change as the SARB Act takes precedence over IFRS. The SARB Act's accounting treatment is not in line with any of the *IFRS 9* classification and measurement requirements and consequently these instruments are not classified in accordance with *IFRS 9* for reporting purposes. The financial reporting framework of the SARB specifically refers to this deviation from IFRS. This change in accounting categorisation will not have any impact on the previous accounting treatment, accounting policy or measurement.

(B) SA government bonds previously classified as available-for-sale, but which do not meet the business model test

The portfolio is maintained so as to provide collateral for repurchase agreements the SARB enters into as part of their monetary and liquidity risk management policies. The portfolio's fair value is determined daily and constantly compared to the SARB's repurchase agreement positions, for which the collateral portfolio is held. All coupon payments are purely incidental as these assets are not kept for collecting cash flows but rather to utilise as collateral in liquidity management. As a result, the previously accumulated gains and losses accrued in the bond revaluation reserve of R0.4 billion for Group (SARB: R0.4 billion) was reclassified to accumulated profit and future fair value gains and losses will be accounted for in profit or loss.

(C) Recognition of fair value gains and losses on BIS shares

IFRS 9 removes the requirement in *IAS 39* to measure unquoted equity investments at cost where the fair value cannot be determined reliably. As a result the net fair value gains of R3.2 billion for Group (SARB: R3.2 billion) on the revaluation of BIS shares (previously not recognised) will be recognised in OCI on 1 April 2018 as well as any future fair value gains and losses.

(D) Financial liabilities designated at FVPL to avoid a significant accounting mismatch

Foreign loans and deposits are managed on a market value basis and reported as such to the relevant governance structures within the SARB. In addition to the management, the Foreign Denominated Reserve (FDR) liability (included in foreign loans and deposits) has a matching FDR asset (included in investments) of which the fair value gains and losses are accounted for in profit or loss. It would therefore be appropriate to designate this category as FVPL to match with the underlying assets. *IFRS 9* allows for liabilities to be classified as at FVPL in so far as the designation would avoid a significant accounting mismatch. As a result, foreign loans and deposits, which were previously classified as amortised cost have been reclassified to designated as at FVPL. This change in accounting categorisation will not have any impact on the previous accounting treatment or measurement.

The classification category and the carrying amount of financial assets and liabilities in accordance with *IAS 39* and *IFRS 9* at 1 April 2018 were as follows:

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

1. ACCOUNTING POLICIES continued

1.2 New standards and interpretations continued

1.2.1 New and amended standards adopted by the Group continued

IFRS 9 Financial Instruments continued

***Classification and measurement of financial instruments** continued*

		IAS 39 FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT				
	Notes	Total R'000	FVPL (Held-for-trading) R'000	FVPL (Designated) R'000	Amortised cost R'000	FVOCI (Available-for-sale) R'000
GROUP – 1 April 2018						
Financial assets						
Cash and cash equivalents		38 559 579	–	–	38 559 579	–
Accommodation to banks		66 849 928	–	–	66 849 928	–
Investments		5 833 619	–	5 833 619	–	–
Other financial assets		1 276 080	–	–	1 276 080	–
Gold and foreign exchange	A	592 617 284	175 465	592 441 819	–	–
FEC assets	A	52 353	52 353	–	–	–
Loans and advances		17 570 181	–	–	17 570 181	–
SA government bonds	B	8 083 658	–	–	–	8 083 658
Equity investment in BIS	C	450 780	–	–	–	450 780
Total financial assets		731 293 462	227 818	598 275 438	124 255 768	8 534 438
Financial liabilities						
Notes and coin in circulation		146 330 155	–	–	146 330 155	–
Deposit accounts		280 020 330	–	–	280 020 330	–
Foreign deposits	D	101 955 792	–	–	101 955 792	–
Other financial liabilities		1 304 214	–	–	1 304 214	–
SARB debentures		340 406	–	–	340 406	–
FEC liabilities	A	2 787 188	2 787 188	–	–	–
GFECRA	A	193 917 028	–	–	193 917 028	–
Total financial liabilities		726 655 113	2 787 188	–	723 867 925	–

		IFRS 9 FINANCIAL INSTRUMENTS					
	Notes	Total R'000	FVPL (Mandatory) R'000	FVPL (Designated) R'000	Amortised cost R'000	FVOCI R'000	SARB Act R'000
GROUP – 1 April 2018							
Financial assets							
Cash and cash equivalents		38 559 579	–	–	38 559 579	–	–
Accommodation to banks		66 849 928	–	–	66 849 928	–	–
Investments		5 833 619	–	5 833 619	–	–	–
Other financial assets		1 276 080	–	–	1 276 080	–	–
Gold and foreign exchange	A	592 617 284	175 465	498 334 259	–	–	94 107 560
FEC assets	A	52 353	–	–	–	–	52 353
Loans and advances		17 570 181	–	–	17 570 181	–	–
SA government bonds	B	8 083 658	8 083 658	–	–	–	–
Equity investment in BIS	C	3 606 304	–	–	–	3 606 304	–
Total financial assets		734 448 986	8 259 123	504 167 878	124 255 768	3 606 304	94 159 913
Financial liabilities							
Notes and coin in circulation		146 330 155	–	–	146 330 155	–	–
Deposit accounts		280 020 330	–	–	280 020 330	–	–
Foreign deposits	D	101 955 792	–	101 955 792	–	–	–
Other financial liabilities		1 304 214	–	–	1 304 214	–	–
SARB debentures		340 406	–	–	340 406	–	–
FEC liabilities	A	2 787 188	–	–	–	–	2 787 188
GFECRA	A	193 917 028	–	–	–	–	193 917 028
Total financial liabilities		726 655 113	–	101 955 792	427 995 105	–	196 704 216

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

1. ACCOUNTING POLICIES continued

1.2 New standards and interpretations continued

1.2.1 New and amended standards adopted by the Group continued

IFRS 9 Financial Instruments continued

***Classification and measurement of financial instruments** continued*

		IAS 39 FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT				
	Notes	Total R'000	FVPL (Held-for-trading) R'000	FVPL (Designated) R'000	Amortised cost R'000	FVOCI (Available-for-sale) R'000
SARB – 1 April 2018						
Financial assets						
Amounts due by subsidiaries		33 982	–	–	33 982	–
Accommodation to banks		66 849 928	–	–	66 849 928	–
Other financial assets		1 122 332	–	–	1 122 332	–
Gold and foreign exchange	A	592 617 284	175 465	592 441 819	–	–
FEC assets	A	52 353	52 353	–	–	–
Loans and advances		58 395	–	–	58 395	–
SA government bonds	B	8 083 658	–	–	–	8 083 658
Equity investment in BIS	C	450 780	–	–	–	450 780
Total financial assets		669 268 712	227 818	592 441 819	68 064 637	8 534 438
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		7 536 468	–	–	7 536 468	–
Foreign deposits	D	101 955 792	–	–	101 955 792	–
Other financial liabilities		1 070 585	–	–	1 070 585	–
SARB debentures		340 406	–	–	340 406	–
FEC liabilities	A	2 787 188	2 787 188	–	–	–
GFECRA	A	193 917 028	–	–	193 917 028	–
Total financial liabilities		665 577 789	2 787 188	–	662 790 601	–

		IFRS 9 FINANCIAL INSTRUMENTS					
	Notes	Total R'000	FVPL (Mandatory) R'000	FVPL (Designated) R'000	Amortised cost R'000	FVOCI R'000	SARB Act R'000
SARB – 1 April 2018							
Financial assets							
Amounts due by subsidiaries		33 982	–	–	33 982	–	–
Accommodation to banks		66 849 928	–	–	66 849 928	–	–
Other financial assets		1 122 332	–	–	1 122 332	–	–
Gold and foreign exchange	A	592 617 284	175 465	498 334 259	–	–	94 107 560
FEC assets	A	52 353	–	–	–	–	52 353
Loans and advances		58 395	–	–	58 395	–	–
SA government bonds	B	8 083 658	8 083 658	–	–	–	–
Equity investment in BIS	C	3 606 304	–	–	–	3 606 304	–
Total financial assets		672 424 236	8 259 123	498 334 259	68 064 637	3 606 304	94 159 913
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		7 536 468	–	–	7 536 468	–	–
Foreign deposits	D	101 955 792	–	101 955 792	–	–	–
Other financial liabilities		1 070 585	–	–	1 070 585	–	–
SARB debentures		340 406	–	–	340 406	–	–
FEC liabilities	A	2 787 188	–	–	–	–	2 787 188
GFECRA	A	193 917 028	–	–	–	–	193 917 028
Total financial liabilities		665 577 789	–	101 955 792	366 917 781	–	196 704 216

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

1. ACCOUNTING POLICIES continued

1.2 New standards and interpretations continued

1.2.1 New and amended standards adopted by the Group continued

***IFRS 9 Financial Instruments** continued*

***Classification and measurement of financial instruments** continued*

Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The Group performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics. Please refer to note 1.4.2.1 for more detailed information regarding the new classification requirements of *IFRS 9.*

The following table reconciles the carrying amounts of financial instruments, from their previous classification category in accordance with *IAS 39* to their new measurement categories upon transition to *IFRS 9* on 1 April 2018:

	Notes	IAS 39 carrying amount R'000	Reclas-sifications R'000	Remeasure-ments R'000	IFRS 9 carrying amount R'000
GROUP – 1 April 2018					
Financial assets – Amortised cost					
Cash and cash equivalents		38 559 579	–	–	38 559 579
Opening balance under *IAS 39*		38 559 579	–	–	–
Closing balance under *IFRS 9*		–	–	–	38 559 579
Accommodation to banks		66 849 928	–	–	66 849 928
Opening balance under *IAS 39*		66 849 928	–	–	–
Closing balance under *IFRS 9*		–	–	–	66 849 928
Other financial assets		1 276 080	–	–	1 276 080
Opening balance under *IAS 39*		1 276 080	–	–	–
Closing balance under *IFRS 9*		–	–	–	1 276 080
Loans and advances		17 570 181	–	–	17 570 181
Opening balance under *IAS 39*		17 570 181	–	–	–
Closing balance under *IFRS 9*		–	–	–	17 570 181
Total amortised cost		124 255 768	–	–	124 255 768

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

1. ACCOUNTING POLICIES continued

1.2 New standards and interpretations continued

1.2.1 New and amended standards adopted by the Group continued

***IFRS 9 Financial Instruments** continued*

***Classification and measurement of financial instruments** continued*

***Reconciliation of statement of financial position balances from IAS 39 to IFRS 9** continued*

	Notes	IAS 39 carrying amount R'000	Reclas-sifications R'000	Remeasure-ments R'000	IFRS 9 carrying amount R'000
GROUP – 1 April 2018					
Financial assets – FVPL					
Investments		5 833 619	–	–	5 833 619
Opening balance under *IAS 39*		5 833 619	–	–	–
Closing balance under *IFRS 9*		–	–	–	5 833 619
Gold and foreign exchange		592 617 284	(94 107 560)	–	498 509 724
Opening balance under *IAS 39*		592 617 284	–	–	–
Subtraction: To SARB Act	A	–	(94 107 560)	–	–
Closing balance under *IFRS 9*		–	–	–	498 509 724
FEC assets		52 353	(52 353)	–	–
Opening balance under *IAS 39*		52 353	–	–	–
Subtraction: To SARB Act	A	–	(52 353)	–	–
Closing balance under *IFRS 9*		–	–	–	–
SA government bonds		–	8 083 658	–	8 083 658
Opening balance under *IAS 39*		–	–	–	–
Addition: From FVOCI	B	–	8 083 658	–	–
Closing balance under *IFRS 9*		–	–	–	8 083 658
Total FVPL		598 503 256	(86 076 255)	–	512 427 001

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

1. ACCOUNTING POLICIES continued

1.2 New standards and interpretations continued

1.2.1 New and amended standards adopted by the Group continued

***IFRS 9 Financial Instruments** continued*

***Classification and measurement of financial instruments** continued*

***Reconciliation of statement of financial position balances from IAS 39 to IFRS 9** continued*

	Notes	IAS 39 carrying amount R'000	Reclas-sifications R'000	Remeasure-ments R'000	IFRS 9 carrying amount R'000
GROUP – 1 April 2018					
Financial assets – FVOCI					
SA government bonds		8 083 658	(8 083 658)	–	–
Opening balance under *IAS 39*		8 083 658	–	–	–
Subtraction: To FVPL	B	–	(8 083 658)	–	–
Closing balance under *IFRS 9*		–	–	–	–
Equity investment in BIS		450 780	–	3 155 524	3 606 304
Opening balance under *IAS 39*		450 780	–	–	–
Remeasurement: From cost to fair value	C	–	–	3 155 524	–
Closing balance under *IFRS 9*		–	–	–	3 606 304
Total FVOCI		8 534 438	(8 083 658)	3 155 524	3 606 304
Financial assets – SARB Act					
Gold and foreign exchange		–	94 107 560	–	94 107 560
Opening balance under *IAS 39*		–	–	–	–
Addition: From FVPL	A	–	94 107 560	–	–
Closing balance under *IFRS 9*		–	–	–	94 107 560
FEC assets		–	52 353	–	52 353
Opening balance under *IAS 39*		–	–	–	–
Addition: From FVPL	A	–	52 353	–	–
Closing balance under *IFRS 9*		–	–	–	52 353
Total SARB Act		–	94 159 913	–	94 159 913
Total financial assets		731 293 462	–	3 155 524	734 448 986

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

1. ACCOUNTING POLICIES continued

1.2 New standards and interpretations continued

1.2.1 New and amended standards adopted by the Group continued

***IFRS 9 Financial Instruments** continued*

***Classification and measurement of financial instruments** continued*

***Reconciliation of statement of financial position balances from IAS 39 to IFRS 9** continued*

	Notes	IAS 39 carrying amount R'000	Reclas-sifications R'000	Remeasure-ments R'000	IFRS 9 carrying amount R'000
GROUP – 1 April 2018					
Financial liabilities – Amortised cost					
Notes and coin in circulation		146 330 155	–	–	146 330 155
Opening balance under *IAS 39*		146 330 155	–	–	–
Closing balance under *IFRS 9*		–	–	–	146 330 155
Deposit accounts		280 020 330	–	–	280 020 330
Opening balance under *IAS 39*		280 020 330	–	–	–
Closing balance under *IFRS 9*		–	–	–	280 020 330
Other financial liabilities		1 304 214	–	–	1 304 214
Opening balance under *IAS 39*		1 304 214	–	–	–
Closing balance under *IFRS 9*		–	–	–	1 304 214
SARB debentures		340 406	–	–	340 406
Opening balance under *IAS 39*		340 406	–	–	–
Closing balance under *IFRS 9*		–	–	–	340 406
Foreign deposits		101 955 792	(101 955 792)	–	–
Opening balance under *IAS 39*		101 955 792	–	–	–
Subtraction: To FVPL	D	–	(101 955 792)	–	–
Closing balance under *IFRS 9*		–	–	–	–
GFECRA		193 917 028	(193 917 028)	–	–
Opening balance under *IAS 39*		193 917 028	–	–	–
Subtraction: To SARB Act	A	–	(193 917 028)	–	–
Closing balance under *IFRS 9*		–	–	–	–
Total amortised cost		723 867 925	(295 872 820)	–	427 995 105

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

1. ACCOUNTING POLICIES continued

1.2 New standards and interpretations continued

1.2.1 New and amended standards adopted by the Group continued

***IFRS 9 Financial Instruments** continued*

***Classification and measurement of financial instruments** continued*

***Reconciliation of statement of financial position balances from IAS 39 to IFRS 9** continued*

	Notes	IAS 39 carrying amount R'000	Reclas-sifications R'000	Remeasure-ments R'000	IFRS 9 carrying amount R'000
GROUP – 1 April 2018					
Financial liabilities – FVPL					
FEC liabilities		2 787 188	(2 787 188)	–	–
Opening balance under *IAS 39*		2 787 188	–	–	–
Subtraction: To SARB Act	A	–	(2 787 188)	–	–
Closing balance under *IFRS 9*		–	–	–	–
Foreign deposits		–	101 955 792	–	101 955 792
Opening balance under *IAS 39*		–	–	–	–
Addition: From amortised costs	D	–	101 955 792	–	–
Closing balance under *IFRS 9*		–	–	–	101 955 792
Total FVPL		2 787 188	99 168 604	–	101 955 792
Financial liabilities – SARB Act					
FEC liabilities		–	2 787 188	–	2 787 188
Opening balance under *IAS 39*		–	–	–	–
Addition: From FVPL	A	–	2 787 188	–	–
Closing balance under *IFRS 9*		–	–	–	2 787 188
GFECRA		–	193 917 028	–	193 917 028
Opening balance under *IAS 39*		–	–	–	–
Addition: From amortised cost	A	–	193 917 028	–	–
Closing balance under *IFRS 9*		–	–	–	193 917 028
Total SARB Act		–	196 704 216	–	196 704 216
Total financial liabilities		726 655 113	–	–	726 655 113

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

1. ACCOUNTING POLICIES continued

1.2 New standards and interpretations continued

1.2.1 New and amended standards adopted by the Group continued

***IFRS 9 Financial Instruments** continued*

***Classification and measurement of financial instruments** continued*

***Reconciliation of statement of financial position balances from IAS 39 to IFRS 9** continued*

	Notes	IAS 39 carrying amount R'000	Reclas-sifications R'000	Remeasure-ments R'000	IFRS 9 carrying amount R'000
SARB – 1 April 2018					
Financial assets – Amortised cost					
Amounts due by subsidiaries		33 982	–	–	33 982
Opening balance under *IAS 39*		33 982	–	–	–
Closing balance under *IFRS 9*		–	–	–	33 982
Accommodation to banks		66 849 928	–	–	66 849 928
Opening balance under *IAS 39*		66 849 928	–	–	–
Closing balance under *IFRS 9*		–	–	–	66 849 928
Other financial assets		1 122 332	–	–	1 122 332
Opening balance under *IAS 39*		1 122 332	–	–	–
Closing balance under *IFRS 9*		–	–	–	1 122 332
Loans and advances		58 395	–	–	58 395
Opening balance under *IAS 39*		58 395	–	–	–
Closing balance under *IFRS 9*		–	–	–	58 395
Total amortised cost		68 064 637	–	–	68 064 637
Financial assets – FVPL					
Gold and foreign exchange		592 617 284	(94 107 560)	–	498 509 724
Opening balance under *IAS 39*		592 617 284	–	–	–
Subtraction: To SARB Act	A	–	(94 107 560)	–	–
Closing balance under *IFRS 9*		–	–	–	498 509 724
FEC assets		52 353	(52 353)	–	–
Opening balance under *IAS 39*		52 353	–	–	–
Subtraction: To SARB Act	A	–	(52 353)	–	–
Closing balance under *IFRS 9*		–	–	–	–
SA government bonds		–	8 083 658	–	8 083 658
Opening balance under *IAS 39*		–	–	–	–
Addition: From FVOCI	B	–	8 083 658	–	–
Closing balance under *IFRS 9*		–	–	–	8 083 658
Total FVPL		592 669 637	(86 076 255)	–	506 593 382

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

1. ACCOUNTING POLICIES continued

1.2 New standards and interpretations continued

1.2.1 New and amended standards adopted by the Group continued

***IFRS 9 Financial Instruments** continued*

***Classification and measurement of financial instruments** continued*

***Reconciliation of statement of financial position balances from IAS 39 to IFRS 9** continued*

	Notes	IAS 39 carrying amount R'000	Reclas-sifications R'000	Remeasure-ments R'000	IFRS 9 carrying amount R'000
SARB – 1 April 2018					
Financial assets – FVOCI					
SA government bonds		8 083 658	(8 083 658)	–	–
Opening balance under *IAS 39*		8 083 658	–	–	–
Subtraction: To FVPL	B	–	(8 083 658)	–	–
Closing balance under *IFRS 9*		–	–	–	–
Equity investment in BIS		450 780	–	3 155 524	3 606 304
Opening balance under *IAS 39*		450 780	–	–	–
Remeasurement: From cost to fair value	C	–	–	3 155 524	–
Closing balance under *IFRS 9*		–	–	–	3 606 304
Total FVOCI		8 534 438	(8 083 658)	3 155 524	3 606 304
Financial assets – SARB Act					
Gold and foreign exchange		–	94 107 560	–	94 107 560
Opening balance under *IAS 39*		–	–	–	–
Addition: From FVPL	A	–	94 107 560	–	–
Closing balance under *IFRS 9*		–	–	–	94 107 560
FEC assets		–	52 353	–	52 353
Opening balance under *IAS 39*		–	–	–	–
Addition: From FVPL	A	–	52 353	–	–
Closing balance under *IFRS 9*		–	–	–	52 353
Total SARB Act		–	94 159 913	–	94 159 913
Total financial assets		669 268 712	–	3 155 524	672 424 236

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

1. ACCOUNTING POLICIES continued

1.2 New standards and interpretations continued

1.2.1 New and amended standards adopted by the Group continued

***IFRS 9 Financial Instruments** continued*

***Classification and measurement of financial instruments** continued*

***Reconciliation of statement of financial position balances from IAS 39 to IFRS 9** continued*

	Notes	IAS 39 carrying amount R'000	Reclas-sifications R'000	Remeasure-ments R'000	IFRS 9 carrying amount R'000
SARB – 1 April 2018					
Financial liabilities – Amortised cost					
Notes and coin in circulation		146 330 155	–	–	146 330 155
Opening balance under *IAS 39*		146 330 155	–	–	–
Closing balance under *IFRS 9*		–	–	–	146 330 155
Deposit accounts		211 640 167	–	–	211 640 167
Opening balance under *IAS 39*		211 640 167	–	–	–
Closing balance under *IFRS 9*		–	–	–	211 640 167
Amounts due to subsidiaries		7 536 468	–	–	7 536 468
Opening balance under *IAS 39*		7 536 468	–	–	–
Closing balance under *IFRS 9*		–	–	–	7 536 468
Other financial liabilities		1 070 585	–	–	1 070 585
Opening balance under *IAS 39*		1 070 585	–	–	–
Closing balance under *IFRS 9*		–	–	–	1 070 585
SARB debentures		340 406	–	–	340 406
Opening balance under *IAS 39*		340 406	–	–	–
Closing balance under *IFRS 9*		–	–	–	340 406
Foreign deposits		101 955 792	(101 955 792)	–	–
Opening balance under *IAS 39*		101 955 792	–	–	–
Subtraction: To FVPL	D	–	(101 955 792)	–	–
Closing balance under *IFRS 9*		–	–	–	–
GFECRA		193 917 028	(193 917 028)	–	–
Opening balance under *IAS 39*		193 917 028	–	–	–
Subtraction: To SARB Act	A	–	(193 917 028)	–	–
Closing balance under *IFRS 9*		–	–	–	–
Total amortised cost		662 790 601	(295 872 820)	–	366 917 781

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

1. ACCOUNTING POLICIES continued

1.2 New standards and interpretations continued

1.2.1 New and amended standards adopted by the Group continued

***IFRS 9 Financial Instruments** continued*

***Classification and measurement of financial instruments** continued*

***Reconciliation of statement of financial position balances from IAS 39 to IFRS 9** continued*

	Notes	IAS 39 carrying amount R'000	Reclas-sifications R'000	Remeasure-ments R'000	IFRS 9 carrying amount R'000
SARB – 1 April 2018					
Financial liabilities – FVPL					
FEC liabilities		2 787 188	(2 787 188)	–	–
Opening balance under *IAS 39*		2 787 188	–	–	–
Subtraction: To SARB Act	A	–	(2 787 188)	–	–
Closing balance under *IFRS 9*		–	–	–	–
Foreign deposits		–	101 955 792	–	101 955 792
Opening balance under *IAS 39*		–	–	–	–
Addition: From amortised costs	D	–	101 955 792	–	–
Closing balance under *IFRS 9*		–	–	–	101 955 792
Total FVPL		2 787 188	99 168 604	–	101 955 792
Financial liabilities – SARB Act					
FEC liabilities		–	2 787 188	–	2 787 188
Opening balance under *IAS 39*		–	–	–	–
Addition: From FVPL	A	–	2 787 188	–	–
Closing balance under *IFRS 9*		–	–	–	2 787 188
GFECRA		–	193 917 028	–	193 917 028
Opening balance under *IAS 39*		–	–	–	–
Addition: From amortised cost	A	–	193 917 028	–	–
Closing balance under *IFRS 9*		–	–	–	193 917 028
Total SARB Act		–	196 704 216	–	196 704 216
Total financial liabilities		665 577 789	–	–	665 577 789

The total net remeasurement gain for the Group of R3.2 billion (SARB: R3.2 billion) was recognised in opening reserves at 1 April 2018. In addition an amount of R0.4 billion for Group (SARB: R0.4 billion) was reclassified from the bond revaluation reserve to the contingency reserve at 01 April 2018 in respect of cumulative fair value adjustments on bonds previously recognised in OCI.

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

1. ACCOUNTING POLICIES continued

1.2 New standards and interpretations continued

1.2.1 New and amended standards adopted by the Group continued

***IFRS 9 Financial Instruments** continued*

***Classification and measurement of financial instruments** continued*

***Reconciliation of statement of financial position balances from IAS 39 to IFRS 9** continued*

The Group performed a detailed analysis on the impairment allowances measured in accordance with the incurred loss model of *IAS 39* to the new impairment allowance measured in accordance with the expected loss model of *IFRS 9* as at 1 April 2018. No impairment allowances were raised in both instances and thus no further reconciliations are required.

Further information on the measurement of the impairment allowance under *IFRS 9* can be found in note 29.

IFRS 15 Revenue from Contracts with 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.

The mandatory effective date of the amendment is for years beginning on or after 1 January 2018. The Group has adopted the amendment for the first time in the 2019 financial statements. 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.*

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 mandatory effective date of the amendment is for years beginning on or after 1 January 2018. The Group has adopted the amendment for the first time in the 2019 financial statements. The amendment has no material impact on the financial statements due to the fact that in terms of sections 25 to 28 of the SARB Act all gains and losses on gold held by the SARB and foreign exchange profits or losses of the SARB (as explained in note 1.6), insofar as they arise from changes in the value of the rand compared to other currencies, are for the account of the SA government and consequently all these profits or losses are transferred to GFECRA.

There are no other new or amended standards applicable to the Group for the financial year ended 31 March 2019.

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 2019, 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 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 (IFRS 16)* contains expanded disclosure requirements for lessees.

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

1. ACCOUNTING POLICIES continued

1.2 New standards and interpretations continued

1.2.2 New standards, amendments and interpretations not yet adopted continued

***IFRS 16 Leases** continued*

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* 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* 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 new standard is for years beginning on or after 1 January 2019. The Group expects to adopt the standard for the first time in the 2020 financial statements. 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.*

IAS 12 Income Taxes

The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.

The effective date of the annual improvement is for years beginning on or after 1 January 2019. The Group expects to adopt the standard for the first time in the 2020 financial statements. The impact of this standard has been assessed and the amendment has no material impact on the financial statements.

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 OCI of the investee in OCI. 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 2019

1. ACCOUNTING POLICIES continued

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 exclude investments in subsidiaries, investment in associate, post-employment benefit plans, provisions, property, plant and equipment, deferred taxation, intangible assets, inventories, surplus due to SA government and taxation payable or prepaid.

1.4.1 Financial assets

1.4.1.1 Classification and measurement

IFRS 9 Financial Instruments

From 1 April 2018, the Group has applied *IFRS 9* and classifies its financial assets into the following measurement categories:

- amortised cost;
- FVOCI;
- instruments measured in terms of the SARB Act; and
- FVPL.

For debt instruments, both the business model test and the solely payments of principal and interest (SPPI) test is applied by the entity in determining the category which best applies to the financial instruments that it holds and or trades. Under the business model test the entity must determine the objective for which it holds financial instruments i.e. to hold the financial asset to collect the contractual cash flows, rather than to sell the instrument prior to its contractual maturity to realise its fair value changes, or both. Factors considered by the Group in determining the business model of a group of assets include past experience on how the cash flows for these assets are collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. The business model test should be performed before the SPPI test.

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

All equity investments are to be valued at fair value with value changes recognised in profit and loss except if the entity has elected to present the value changes in OCI. The Group's policy is to designate equity instruments as FVOCI when those instruments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss.

Management determined the classification of financial assets at 1 April 2018 when *IFRS 9* was implemented and going forward management will determine classification of financial assets at initial recognition. The Group reclassifies debt instruments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change.

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

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

1. ACCOUNTING POLICIES continued

1.4 Financial instruments continued

1.4.1 Financial assets continued

1.4.1.1 Classification and measurement continued

***IFRS 9 Financial Instruments** continued*

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

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

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

Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not specifically excluded in terms of the SARB Act or designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any ECL allowance recognised and measured as described in note 29. Interest income using the effective interest method and dividend income from these financial assets are included in profit or loss.

Fair value through other comprehensive income

Financial assets that are held for collection or contractual cash flows and for selling the assets, where the assets' cash flows represents SPPI, and that are not specifically excluded in terms of the SARB Act or designated at FVPL, are measured at FVOCI. If an equity instrument is not held-for-trading, an entity can make an irrevocable election at initial recognition to measure it at FVOCI with only dividend income recognised in profit or loss. Movements in the carrying amount are taken through OCI, except for the recognition of impairment losses or reversals and interest revenue on the instrument's amortised cost which are recognised in profit or loss and changes in fair value due to foreign exchange movements as explained in note 1.6. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Dividend income received on these financial assets is recognised in profit or loss.

Instruments measured in terms of the SARB Act

In terms of sections 25 to 28 of the SARB Act all gains and losses on gold held by the SARB and foreign exchange profits or losses of the SARB (as explained in note 1.6), insofar as they arise from changes in the value of the rand compared to other currencies, are for the account of SA government and consequently all these profits or losses are transferred to GFECRA. Regardless of the classification as per *IFRS 9*, the accounting treatment for financial assets as governed by the SARB Act will not change as the SARB Act takes precedence over IFRS. The SARB Act's accounting treatment is not in line with any of the *IFRS 9* classification requirements and consequently these instruments are not classified in accordance with *IFRS 9* for reporting purposes. The financial reporting framework of the SARB specifically refers to this deviation from IFRS. The following assets are governed by the SARB Act and thus not classified in terms of *IFRS 9*:

- gold;
- SDR reserves; and
- FEC assets.

Fair value through profit or loss

Positive derivatives, assets that do not meet the criteria for amortised cost, FVOCI, and that are not specifically excluded in terms of the SARB Act are measured at FVPL. Assets can be designated at FVPL at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency; or if the financial asset will form part of a held-for-trading portfolio of financial assets that is managed and its performance is evaluated on a fair-value basis, in accordance with a documented risk management or investment strategy and information about the portfolio is provided internally on that basis to key management personnel. A gain or a loss on a debt instrument subsequently measured at FVPL and not part of a hedging relationship is recognised in profit or loss. Interest income using the effective interest method and dividend income from these financial assets are included in profit or loss.

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

1. ACCOUNTING POLICIES continued

1.4 Financial instruments continued

1.4.1 Financial assets continued

1.4.1.1 Classification and measurement continued

IAS 39 Financial Instruments: Recognition and Measurement

Before 1 April 2018, the Group applied *IAS 39* and classified its financial assets into the following measurement categories:

- loans and receivables;
- available-for-sale financial assets;
- FVPL (including held-for-trading).

The classification depended on the purpose for which the financial assets were acquired. Management determined the classification of financial assets at initial recognition.

Loans and receivables

Loans and receivables were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market. These arose when the Group provided 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 intended to sell in the short term or that it designated as at FVPL or available-for-sale.

Available-for-sale financial assets

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

Financial assets at fair value through profit or loss

This category comprised two subcategories: (i) financial assets held-for-trading, and (ii) those designated as FVPL at inception.

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

A financial asset was designated as 'FVPL' when:

- it either eliminated or significantly reduced 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 formed part of a portfolio of financial assets that was managed and its performance evaluated on a fair-value basis, in accordance with documented risk management or investment strategy and information about the portfolio was provided internally on that basis to key management personnel; or
- it formed part of a contract containing one or more embedded derivatives and *IAS 39* permitted the entire combined contract (asset or liability) to be designated as FVPL.

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

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

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

The best evidence of fair value on initial recognition was the transaction price, unless fair value was 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 included data from observable markets.

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

1. ACCOUNTING POLICIES continued

1.4 Financial instruments continued

1.4.1 Financial assets continued

1.4.1.1 Classification and measurement continued

***IAS 39 Financial Instruments: Recognition and Measurement** continued*

***Financial assets at fair value through profit or loss** continued*

Loans and receivables were subsequently carried at amortised cost using the effective interest method. The amortised cost of a financial asset was the amount at which the financial asset was 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 were subsequently carried at fair value. Unrealised gains and losses arising from changes in fair value were recognised in OCI.

Interest income and dividend income received on available-for-sale financial assets were 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 FVPL were recognised in profit or loss.

1.4.1.2 Recognition and derecognition

There were no changes to recognition and derecognition for the transition from *IAS 39* to *IFRS 9*.

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

Financial assets are 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 FVOCI (*IFRS 9)* or available-for-sale (*IAS 39*) are sold, the accumulated fair value adjustments recognised in OCI are reclassified to profit or loss as gains and losses from investment securities. Collateral furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Group retains a subordinated residual interest.

1.4.1.3 Impairment of financial assets

IFRS 9 Financial Instruments

From 1 April 2018, the Group has applied *IFRS 9* and assesses on a forward-looking basis the ECL associated with its debt instruments carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

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

Note 29 provides more detail on how the ECL allowance is measured.

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

IAS 39 Financial Instruments: Recognition and Measurement

Before 1 April 2018, the Group applied *IAS 39* and assessed whether financial assets needed to be impaired at each reporting date. A financial asset was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event had an impact on the estimated future cash flows of the financial asset that could be estimated reliably.

Financial assets classified as loans and receivables

If there was objective evidence that an impairment loss had been incurred on loans and receivables, the amount of the loss was 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.

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

1. ACCOUNTING POLICIES continued

1.4 Financial instruments continued

1.4.1 Financial assets continued

1.4.1.3 Impairment of financial assets

***IAS 39 Financial Instruments: Recognition and Measurement** continued*

***Financial assets classified as loans and receivables** continued*

Objective evidence that loans and receivables were impaired included but was not limited to the observable data that comes to the attention of the Group about the following events:

- significant financial difficulty of the debtor;
- 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 was reduced and the amount of the loss was recognised in profit or loss. If a loan or receivable had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract.

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

Financial assets classified as available-for-sale

If there was 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, was removed from OCI 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 was reversed through profit or loss.

Any increase in fair value subsequent to an impairment loss was recognised in OCI.

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

1.4.2 Financial liabilities

1.4.2.1 Classification and measurement

IFRS 9 Financial Instruments

From 1 April 2018, the Group has applied *IFRS 9* and classifies its financial liabilities into the following measurement categories:

- amortised cost;
- instruments measured in terms of the SARB Act; and
- FVPL.

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

Financial liabilities at amortised cost

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

Financial liabilities measured at amortised cost, which approximates fair value, 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 liability.

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

1. ACCOUNTING POLICIES continued

1.4 Financial instruments continued

1.4.2 Financial liabilities continued

1.4.2.1 Classification and measurement continued

***IFRS 9 Financial Instruments** continued*

Instruments measured in terms of the SARB Act

In terms of sections 25 to 28 of the SARB Act all gains and losses on gold held by the SARB and foreign exchange profits or losses of the SARB (as explained in note 1.6), insofar as they arise from changes in the value of the rand compared to other currencies, are for the account of SA government and consequently all these profits or losses are transferred to GFECRA. Regardless of the classification per *IFRS 9*, the accounting treatment for financial assets as governed by the SARB Act will not change as the SARB Act takes precedence over IFRS. The SARB Act's accounting treatment is not in line with any of the *IFRS 9* classification requirements and consequently these instruments do not have to be classified in accordance with *IFRS 9* for reporting purposes. The financial reporting framework of the SARB on page 5 specifically refers to this deviation from IFRS.

The following liabilities are governed by the SARB Act and thus not classified in terms of *IFRS 9*:

- FEC liabilities; and
- the GFECRA.

Financial liabilities at fair value through profit or loss

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

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.

IAS 39 Financial Instruments: Recognition and Measurement

Before 1 April 2018, the Group applied *IAS 39* and classified its financial liabilities into financial liabilities at FVPL and financial liabilities at amortised cost.

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

Financial liabilities were initially recognised at fair value, generally being their issue proceeds net of transaction costs incurred, except for financial liabilities at FVPL.

The best evidence of fair value on initial recognition was the transaction price, unless the fair value was 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.

Financial liabilities at fair value through profit or loss

Derivatives with negative fair values and foreign deposits were classified as financial liabilities at FVPL.

Subsequent to initial recognition, financial liabilities were 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 were recognised in profit or loss.

Financial liabilities at amortised cost

The following liabilities were classified as financial liabilities at amortised cost: notes and coin issued, SARB debentures, deposit accounts, amounts due to subsidiaries, the GFECRA, and other liabilities.

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

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

Amortised cost was calculated using the effective interest method that discounted 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.

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

1. ACCOUNTING POLICIES continued

1.4 Financial instruments continued

1.4.2 Financial liabilities continued

1.4.2.2 Recognition and derecognition

There were no changes to recognition and derecognition for the transition from *IAS 39* to *IFRS 9*.

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.

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

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

1.4.4 Offsetting of financial instruments

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

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

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

1.5 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 SA government bonds

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

1.5.5 BIS shares

The SARB's investment in the BIS is valued at the net asset value of the BIS with a haircut of 30.00% applied. The net asset value of the shares is based on SDRs. This adjustment is not subject to sensitivity.

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

1. ACCOUNTING POLICIES continued

1.5 Fair value continued

1.5.6 Valuable art

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

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

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

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

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

1.6 Foreign currency activities

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.

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

1.7 Property, plant and equipment

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

Property, plant and equipment are 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	

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

1. ACCOUNTING POLICIES continued

1.7 Property, plant and equipment continued

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.

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.

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

1. ACCOUNTING POLICIES continued

1.9 Impairment of other non-financial assets continued

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.

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

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

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

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

1.12 Employee benefits

1.12.1 Pension and retirement funds

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

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

1. ACCOUNTING POLICIES continued

1.12 Employee benefits continued

1.12.1 Pension and retirement funds continued

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 OCI in the period in which they arise. Remeasurements are not classified to profit or loss in subsequent periods. Past-service costs are recognised in profit or loss at the earlier of the following dates: (i) when the plan amendment or curtailment occurs or, (ii) when the entity recognises related restructuring costs or termination benefits.

1.12.1.2 Defined contribution plans

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

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

1.12.2 Post-employment benefits

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

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

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

The liability is provided for in an actuarially determined provision.

1.12.3 Leave pay accrual

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

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

1.13 Sale and repurchase agreements

The SARB has entered into sale and repurchase (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.

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

1. ACCOUNTING POLICIES continued

1.13 Sale and repurchase agreements continued

The standing facilities are available daily on an automated basis in the form of 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.

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. 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 arises from the provision of services to clients. This consists mainly of commission on and for banking services.

Fee and commission revenue (including licence fees, levies, Integrated Regional Electronic Settlement System charges and handling fees) are earned based on the services that the SARB offers or transactions the SARB performs on behalf of commercial banks or Southern African Development Community regions. Revenue is recognised when the transactions or services are performed.

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

1. ACCOUNTING POLICIES continued

1.18 Total income continued

Penalties are earned on any discrepancies on non-compliance by the commercial banks.

The annual licence fees are fees charged by the SARB to any institution that wants to obtain a license either to operate as a bank or to establish a branch for an existing bank and are payable in advance on an annual basis. Revenue is recognised when the SARB has issued a license to the institution.

The SARB offers banking services such as Electronic Transfer transactions to National Treasury on a monthly basis. These bank charges comprise of local and foreign payment charges. Revenue is recognised when the transactions or services are performed.

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.

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

1.19.1 Fair value of financial instruments

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

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

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

1.19.2 Measurement of ECL allowance

The measurement of the ECL allowance for financial assets measured at amortised cost and FVOCI is an area that requires complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 29.

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

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

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

1.20 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 2019

2. CASH AND CASH EQUIVALENTS

	GROUP		SARB	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Bank and cash balances	**36 930 483**	31 274 437	**–**	–
Short-term South African money market investments	**–**	7 285 142	**–**	–
Total cash and cash equivalents	**36 930 483**	38 559 579	**–**	–

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.

Maturity structure of financial assets

Within 1 month	**14 092 040**	25 901 207	**–**	–
Between 1 and 3 months	**22 838 443**	12 658 372	**–**	–
Total financial assets	**36 930 483**	38 559 579	**–**	–

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	**–**	–
Fair value of collateral received	**–**	4 753 096	**–**	–
Fair value of collateral permitted to sell or repledge at the reporting date	**–**	4 753 096	**–**	–
Collateral cover	**–**	103.34%	**–**	–
Maturity date	**–**	5 April 2018	**–**	–

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 2019

3. ACCOMMODATION TO BANKS

	GROUP		SARB	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Repurchase agreements	**56 000 000**	56 000 000	**56 000 000**	56 000 000
Standing facility	**5 395 506**	10 820 010	**5 395 506**	10 820 010
Accrued interest	**31 068**	29 918	**31 068**	29 918
Total accommodation to banks	**61 426 574**	66 849 928	**61 426 574**	66 849 928

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

Repurchase agreements

The repurchase agreements yield interest at the repurchase rate (repo rate) of the SARB	**6.75%**	6.50%	**6.75%**	6.50%

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

Fair value of collateral received	**56 088 214**	56 227 943	**56 088 214**	56 227 943
Fair value of collateral permitted to sell or repledge at the reporting date	**56 088 214**	56 227 943	**56 088 214**	56 227 943
Collateral cover	**100.10%**	100.35%	**100.10%**	100.35%

The collateral received consists of various SA 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 (2018: 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 repo rate of the SARB plus 1.00%	**7.75%**	7.50%	**7.75%**	7.50%

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

Fair value of collateral received	**5 395 506**	21 663 683	**5 395 506**	21 663 683
Fair value of collateral permitted to sell or repledge at the reporting date	**5 395 506**	21 663 683	**5 395 506**	21 663 683
Collateral cover	**100.00%**	200.22%	**100.00%**	200.22%

The collateral received consists of SA 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 (2018: 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 2019

4. INVESTMENTS

	GROUP		SARB	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Short-term South African money market investments	**16 848 505**	5 833 619	**–**	–
Maturity structure of financial assets				
Within 1 month	**1 856 088**	199 515	**–**	–
Between 1 and 3 months	**12 130 159**	4 581 902	**–**	–
Between 3 and 12 months	**2 862 258**	1 052 202	**–**	–
Total financial assets	**16 848 505**	5 833 619	**–**	–
For investments that meet the definition of financial assets designated at fair value:				
Maximum exposure to credit risk	**16 848 505**	5 833 619	**–**	–

In terms of Investment Guidelines (IG), approved by the Boards of the respective subsidiaries, all investments are placed with reputable financial institutions. The CPD utilises banking institutions with a minimum credit rating of BBB- by at least two of the agencies: Standard and Poor's, Fitch or Moody's. 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

Financial assets	**814 822**	1 276 080	**575 713**	1 122 332
Non-financial assets	**709 097**	399 426	**691 114**	358 225
Total other assets	**1 523 919**	1 675 506	**1 266 827**	1 480 557
Maturity structure of financial assets				
Within 1 month	**522 960**	984 472	**286 794**	849 072
Between 1 and 12 months	**291 862**	291 608	**288 919**	273 260
Total financial assets	**814 822**	1 276 080	**575 713**	1 122 332

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 2019

6. GOLD AND FOREIGN EXCHANGE

		GROUP		SARB	
	Notes	**2019 R'000**	2018 R'000	**2019 R'000**	2018 R'000
Gold coin and bullion		**75 692 246**	63 252 910	**75 692 246**	63 252 910
Money- and capital-market instruments and deposits		**122 831 827**	107 610 506	**122 831 827**	107 610 506
Medium-term instruments		**413 295 619**	333 333 502	**413 295 619**	333 333 502
Portfolio investments		**103 494 054**	88 400 725	**103 494 054**	88 400 725
Securities lending asset	6.3	**58 597**	–	**58 597**	–
Accrued interest		**28 408**	19 641	**28 408**	19 641
Total gold and foreign exchange		**715 400 751**	592 617 284	**715 400 751**	592 617 284

Gold coin and bullion consists of 4 029 116 fine ounces of gold at the statutory price of R18 786.31 per ounce (2018: 4 028 618 fine ounces at R15 700.90 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

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 2019				
FECs	**19 673**	**77 637**	**(57 964)**	**30 626 632**
Futures contracts	**(57 830)**	**24 732**	**(82 562)**	**23 905 553**
Interest rate swaps	**10 129**	**36 744**	**(26 615)**	**8 117 633**
Total derivatives	**(28 028)**	**139 113**	**(167 141)**	**62 649 818**
Group and SARB 2018				
FECs	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	60 337	175 465	(115 128)	69 275 801

(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 2019

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 R'000	Offset R'000	Net amounts presented in the derivatives R'000	Related amounts not set off in derivatives		
				Instruments which offset on default R'000	Collateral amount received R'000	Net amount R'000
Group and SARB 2019						
FEC assets	**77 637**	**–**	**77 637**	**(31 229)**	**–**	**46 408**
Interest rate swap assets	**36 744**	**–**	**36 744**	**(25 526)**	**–**	**11 218**
FEC liabilities	**(57 964)**	**–**	**(57 964)**	**31 229**	**–**	**(26 735)**
Interest rate swap liabilities	**(26 615)**	**–**	**(26 615)**	**25 526**	**–**	**(1 089)**
Group and SARB 2018						
FEC assets	103 391	–	103 391	(10 986)	–	92 405
Interest rate swap assets	55 388	–	55 388	(8 822)	–	46 566
FEC liabilities	(58 241)	–	(58 241)	10 986	–	(47 255)
Interest rate swap liabilities	(10 256)	–	(10 256)	8 822	–	(1 434)

6.3 Securities lending activities

	GROUP		SARB	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Liabilities in respect of collateral received[1]	**(58 597)**	–	**(58 597)**	–
Fair value of underlying investments	**58 597**	–	**58 597**	–
Net fair value adjustment included in GFECRA	**–**	–	**–**	–

6.4 Special Drawing Rights

The SDR asset of R30.1 billion (2018: R25.8 billion) included in total gold on foreign exchange, carries interest at an effective rate of 1.15% (2018: 0.85%). National Treasury promissory notes have been pledged as collateral against these SDRs.

The following table presents details of collateral held:

Fair value of collateral received	**43 568 112**	47 587 672	**43 568 112**	47 587 672
Collateral cover	**144.98%**	184.78%	**144.98%**	184.78%

At the reporting date, none of the collateralised advances were past due or impaired (2018: none). During the year under review, no defaults were experienced (2018: no defaults).

(1) Included in other financial liabilities in note 18.

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

7. INVENTORIES

	Notes	GROUP 2019 R'000	GROUP 2018 R'000	SARB 2019 R'000	SARB 2018 R'000
Raw materials[1]		**312 245**	222 487	**–**	–
Work in progress[2]		**494 046**	268 905	**–**	–
Consumable stores		**60 579**	56 132	**5 315**	6 470
Maintenance spares		**88 333**	70 731	**–**	–
Finished goods[3]		**297 536**	96 857	**–**	–
Total inventories net of write-downs		**1 252 739**	715 112	**5 315**	6 470
Write-downs (included above)		**(29 614)**	(41 024)	**–**	–

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 goods consists mainly of banknotes and coins ready for delivery.

8. FORWARD EXCHANGE CONTRACT ASSETS AND LIABILITIES

Unrealised gains on FECs		**216 094**	52 353	**216 094**	52 353
Unrealised losses on FECs		**(117 569)**	(2 787 188)	**(117 569)**	(2 787 188)
Net unrealised gains/(losses) transferred to GFECRA[4]	21	**98 525**	(2 734 835)	**98 525**	(2 734 835)

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

The notional amount of the FECs amounts to R29.6 billion (2018: R23.7 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 2019						
FEC assets	**216 094**	**–**	**216 094**	**(61 088)**	**–**	**155 006**
FEC liabilities	**(117 569)**	**–**	**(117 569)**	**61 088**	**–**	**(56 481)**
Group and SARB 2018						
FEC assets	52 353	–	52 353	(12 480)	–	39 873
FEC liabilities	(2 787 188)	–	(2 787 188)	12 480	–	(2 774 708)

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

9. LOANS AND ADVANCES

	GROUP		SARB	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Secured foreign loan	**56 976**	58 395	**56 976**	58 395
Interest-bearing local loans	**17 575 766**	17 511 786	**–**	–
Total loans and advances	**17 632 742**	17 570 181	**56 976**	58 395

Secured foreign loan

The loan facility of R75.0 million (2018: R75.0 million) expires on 31 December 2019 if not renegotiated and carries interest at an effective rate of 6.66% (2018: 6.94%). 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	**81 109**	81 932	**81 109**	81 932
Fair value of collateral permitted to sell or repledge at the reporting date	**81 109**	81 932	**81 109**	81 932
Collateral cover	**142.36%**	140.31%	**142.36%**	140.31%
Maturity date	**29 May 2019**	29 May 2018	**29 May 2019**	29 May 2018

At the reporting date, none of the collateralised advances were past due or impaired (2018: none). During the year under review, no defaults were experienced (2018: 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 7.10% (2018: 6.99%).

At the reporting date, none of the interest-bearing local loans were past due or impaired (2018: none). During the year under review, no defaults were experienced (2018: no defaults).

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

10. SOUTH AFRICAN GOVERNMENT BONDS

	GROUP		SARB	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Listed bonds: Interest-bearing	**7 354 301**	7 354 301	**7 354 301**	7 354 301
Accrued interest	**163 871**	54 316	**163 871**	54 316
Fair value adjustments	**492 151**	675 041	**492 151**	675 041
Total SA government bonds	**8 010 323**	8 083 658	**8 010 323**	8 083 658
Effective interest rate	**8.45%**	8.40%	**8.45%**	8.27%

11. EQUITY INVESTMENT IN BANK FOR INTERNATIONAL SETTLEMENTS

Unlisted shares at cost	**450 780**	470 557	**450 780**	470 557
Impact on transition to *IFRS 9* – recognition of previously accumulated fair value movements	**3 155 524**	–	**3 155 524**	–
Fair value adjustments	**128 922**	–	**128 922**	–
Foreign exchange movements transferred to GFECRA	**598 031**	(19 777)	**598 031**	(19 777)
Unlisted shares at fair value	**4 333 257**	450 780	**4 333 257**	450 780

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 Group has adopted the new *IFRS 9* standard for the first time in the 2019 financial statements, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Group did not early adopt *IFRS 9* in previous periods. Under *IAS 39*, the SARB's shareholding in the BIS was classified as 'available-for-sale' FVOCI, but the shareholding was valued at cost as no active market exists for these shares. Under *IFRS 9* the SARB's shareholding in the BIS is still classified as FVOCI, but measured at fair value with the fair value movements recognised in the accounting records of the SARB. Refer to note 1 for further detail on the impact on the transition.

The SARB's investment in the BIS consists of 8 612 shares (2018: 8 612), which are carried at FVOCI. 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 SDR[1] of SDR 25 020 (2018: SDR 24 276).

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 2019, a movement of R598.0 million (2018: R19.8 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 2019

12. PROPERTY, PLANT AND EQUIPMENT

	Land R'000	Buildings R'000	Plant, vehicles, furniture and equipment R'000	Valuable art[1] R'000	Work in progress R'000	Total R'000
12.1 Group 2019						
Cost						
Cost at 31 March 2018	**38 730**	**884 766**	**4 200 808**	**125 591**	**473 616**	**5 723 511**
Additions	**–**	**17 932**	**94 679**	**3 420**	**506 758**	**622 789**
Transfers in/(out)	**–**	**126 386**	**236 076**	**–**	**(362 462)**	**–**
Revaluation adjustments	**–**	**–**	**–**	**7 916**	**–**	**7 916**
Disposals	**–**	**(79 694)**	**(69 874)**	**(89)**	**–**	**(149 657)**
Cost at 31 March 2019	**38 730**	**949 390**	**4 461 689**	**136 838**	**617 912**	**6 204 559**
Accumulated depreciation						
Accumulated depreciation at 31 March 2018	**–**	**422 491**	**2 383 204**	**–**	**–**	**2 805 695**
Charge and impairment for the year	**–**	**36 201**	**312 392**	**–**	**–**	**348 593**
Disposals	**–**	**(14 154)**	**(53 944)**	**–**	**–**	**(68 098)**
Accumulated depreciation at 31 March 2019	**–**	**444 538**	**2 641 652**	**–**	**–**	**3 086 190**
Net book value at 31 March 2019	**38 730**	**504 852**	**1 820 037**	**136 838**	**617 912**	**3 118 369**
12.2 Group 2018						
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

(1) The carrying amount that would have been recognised had the valuable art been carried under the cost model amounted to R24.8 million (2018: R21.5 million).

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

12. PROPERTY, PLANT AND EQUIPMENT continued

	Land R'000	Buildings R'000	Plant, vehicles, furniture and equipment R'000	Valuable art[1] R'000	Work in progress R'000	Total R'000
12.3 SARB 2019						
Cost						
Cost at 31 March 2018	29 305	588 465	1 642 731	125 591	435 068	2 821 160
Additions	–	–	1 714	3 420	418 499	423 633
Transfers in/(out)	–	125 606	158 725	–	(284 331)	–
Revaluation adjustments	–	–	–	7 916	–	7 916
Disposals	–	(79 664)	(39 179)	(89)	–	(118 932)
Cost at 31 March 2019	29 305	634 407	1 763 991	136 838	569 236	3 133 777
Accumulated depreciation						
Accumulated depreciation at 31 March 2018	–	326 814	1 084 927	–	–	1 411 741
Charge and impairment for the year	–	30 433	181 566	–	–	211 999
Disposals	–	(14 142)	(26 124)	–	–	(40 266)
Accumulated depreciation at 31 March 2019	–	343 105	1 240 369	–	–	1 583 474
Net book value at 31 March 2019	29 305	291 302	523 622	136 838	569 236	1 550 303
12.4 SARB 2018						
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

(1) The carrying amount that would have been recognised had the valuable art been carried under the cost model amounted to R24.8 million (2018: R21.5 million).

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

13. INTANGIBLE ASSETS

	Computer software R'000	Work in progress R'000	Total R'000
13.1 Group 2019			
Cost			
Cost at 31 March 2018	**992 018**	**45 325**	**1 037 343**
Additions	**4 144**	**198 094**	**202 238**
Transfers in/(out)	**64 408**	**(64 408)**	**–**
Disposals	**(5 213)**	**–**	**(5 213)**
Cost at 31 March 2019	**1 055 357**	**179 011**	**1 234 368**
Accumulated amortisation			
Accumulated amortisation at 31 March 2018	**513 131**	**–**	**513 131**
Charge and impairment for the year	**95 560**	**–**	**95 560**
Disposals	**(5 194)**	**–**	**(5 194)**
Accumulated amortisation at 31 March 2019	**603 497**	**–**	**603 497**
Net book value at 31 March 2019	**451 860**	**179 011**	**630 871**
13.2 Group 2018			
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

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

13. INTANGIBLE ASSETS continued

	Computer software R'000	Work in progress R'000	Total R'000
13.3 SARB 2019			
Cost			
Cost at 31 March 2018	**900 248**	**26 982**	**927 230**
Additions	**–**	**186 385**	**186 385**
Transfers in/(out)	**50 948**	**(50 948)**	**–**
Disposals	**(5 112)**	**–**	**(5 112)**
Cost at 31 March 2019	**946 084**	**162 419**	**1 108 503**
Accumulated amortisation			
Accumulated amortisation at 31 March 2018	**445 882**	**–**	**445 882**
Charge and impairment for the year	**84 177**	**–**	**84 177**
Disposals	**(5 094)**	**–**	**(5 094)**
Accumulated amortisation at 31 March 2019	**524 965**	**–**	**524 965**
Net book value at 31 March 2019	**421 119**	**162 419**	**583 538**
13.4 SARB 2018			
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

14. DEFERRED TAXATION

		GROUP		SARB	
	Notes	**2019 R'000**	2018 R'000	**2019 R'000**	2018 R'000
Balance at the beginning of the year		**941 245**	1 324 950	**980 400**	1 365 015
Movements during the year:					
Current year timing differences	24	**13 462**	(498 936)	**78 283**	(494 140)
Prior year adjustments	24	**55 826**	(30 962)	**55 826**	(31 133)
Other comprehensive income		**(1 028 349)**	146 193	**(1 017 409)**	140 658
Balance at the end of the year		**(17 816)**	941 245	**97 100**	980 400
Comprising:					
Deferred taxation assets		**97 100**	980 400	**97 100**	980 400
Deferred taxation liabilities		**(114 916)**	(39 155)	**–**	–
Net deferred taxation (liability)/asset		**(17 816)**	941 245	**97 100**	980 400

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

14. DEFERRED TAXATION *continued*

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

	2017 R'000	Amounts charged to profit or loss R'000	Amounts charged to OCI R'000	2018 R'000	**Amounts charged to profit or loss R'000**	**Amounts charged to OCI R'000**	**2019 R'000**
14.1 Group							
Post-employment benefits	684 053	63 732	219 258	967 043	**82 684**	**(290 860)**	**758 867**
Prepaid expenditure and other items	2 798	8 471	–	11 269	**3 189**	**–**	**14 458**
Revaluation adjustments	(31 909)	–	8 584	(23 325)	**–**	**(1 773)**	**(25 098)**
Property, plant and equipment	(389 371)	24 975	–	(364 396)	**14 451**	**–**	**(349 945)**
Intangible assets	2 661	(3 006)	–	(345)	**(29 154)**	**–**	**(29 499)**
Employee benefits accrual	89 541	(16 128)	–	73 413	**(4 193)**	**–**	**69 220**
Revenue received in advance	109 141	52 831	–	161 972	**8 526**	**–**	**170 498**
Fair value adjustments on SA government bonds	52 819	(31 133)	(81 649)	(59 963)	**59 963**	**–**	**–**
Fair value adjustments on BIS shares	–	–	–	–	**–**	**(735 716)**	**(735 716)**
Taxation loss	805 217	(629 640)	–	175 577	**(66 178)**	**–**	**109 399**
Total	1 324 950	(529 898)	146 193	941 245	**69 288**	**(1 028 349)**	**(17 816)**
14.2 SARB							
Post-employment benefits	629 602	59 821	213 723	903 146	**78 377**	**(279 920)**	**701 603**
Prepaid expenditure and other items	(8 700)	6 749	–	(1 951)	**3 742**	**–**	**1 791**
Revaluation adjustments	(31 909)	–	8 584	(23 325)	**–**	**(1 773)**	**(25 098)**
Property, plant and equipment	(90 668)	28 633	–	(62 035)	**19 732**	**–**	**(42 303)**
Intangible assets	6 709	(3 549)	–	3 160	**(29 577)**	**–**	**(26 417)**
Employee benefits accrual	77 725	(18 329)	–	59 396	**(6 654)**	**–**	**52 742**
Revenue received in advance	109 141	52 831	–	161 972	**8 526**	**–**	**170 498**
Fair value adjustments on SA government bonds	52 819	(31 133)	(81 649)	(59 963)	**59 963**	**–**	**–**
Fair value adjustments on BIS shares	–	–	–	–	**–**	**(735 716)**	**(735 716)**
Taxation loss	620 296	(620 296)	–	–	**–**	**–**	**–**
Total	1 365 015	(525 273)	140 658	980 400	**134 109**	**(1 017 409)**	**97 100**

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

15. NOTES AND COIN IN CIRCULATION

	GROUP		SARB	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Notes	**145 102 420**	140 413 751	**145 102 420**	140 413 751
Coin	**6 204 532**	5 916 404	**6 204 532**	5 916 404
Total notes and coin in circulation	**151 306 952**	146 330 155	**151 306 952**	146 330 155

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

Non-interest-bearing	**153 816 096**	132 911 612	**153 743 511**	132 839 027
Banks' reserve accounts	**110 274 799**	98 503 992	**110 274 799**	98 503 992
SA government accounts	**41 828 902**	32 990 205	**41 756 317**	32 917 620
Other current accounts	**1 712 395**	1 417 415	**1 712 395**	1 417 415
Interest-bearing	**133 225 001**	147 108 718	**62 835 408**	78 801 140
SA government special deposit	**57 157 404**	67 157 404	**57 157 404**	67 157 404
Banks' current accounts	**5 678 004**	11 643 736	**5 678 004**	11 643 736
Call deposits	**70 389 593**	68 307 578	**–**	–
Total deposit accounts	**287 041 097**	280 020 330	**216 578 919**	211 640 167
Maturity structure of deposit accounts				
On demand	**113 930 890**	102 715 198	**43 468 712**	34 335 035
Subject to negotiation with National Treasury	**57 157 404**	67 157 404	**57 157 404**	67 157 404
Within 1 month	**115 952 803**	110 147 728	**115 952 803**	110 147 728
	287 041 097	280 020 330	**216 578 919**	211 640 167

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 R0.6 billion (2018: R35.5 million).

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. Included in these call deposits is the Electronic Trading Platform which earns interest at a rate of 45 basis points less than the repo rate. The prevailing rates at year-end was 7.00% (2018: 6.89%) and 6.30% (2018: 0%) respectively.

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

17. FOREIGN DEPOSITS

	GROUP		SARB	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Foreign deposits	**122 558 637**	101 955 792	**122 558 637**	101 955 792

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

Accruals	**298 631**	289 421	**215 661**	222 051
Accounts payable	**301 888**	204 280	**131 529**	106 092
Other financial liabilities	**1 596 682**	810 513	**996 796**	742 442
Non-financial liabilities	**758 291**	423 335	**670 473**	311 832
Total other liabilities	**2 955 492**	1 727 549	**2 014 459**	1 382 417
Maturity structure of financial liabilities				
Within 1 month	**1 595 255**	1 089 194	**1 343 986**	1 070 585
Between 1 and 12 months	**601 946**	215 020	**–**	–
Total financial liabilities	**2 197 201**	1 304 214	**1 343 986**	1 070 585

Other financial liabilities consist mainly of sundry creditors and committed liquidity facility (CLF) fees received in advance. Non-financial liabilities consist mainly of amounts due to SA government.

19. SOUTH AFRICAN RESERVE BANK DEBENTURES

Capital	**25 000**	340 000	**25 000**	340 000
Accrued interest	**23**	406	**23**	406
Total SARB debentures	**25 023**	340 406	**25 023**	340 406

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 2019 are as follows:

Maturity date	Interest rate%	Capital R'000
3 April 2019	**6.74**	**25 000**

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

20. POST-EMPLOYMENT BENEFITS

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

		GROUP		SARB	
	Notes	**2019 R'000**	2018 R'000	**2019 R'000**	2018 R'000
Amounts recognised in the statement of financial position					
Post-employment medical benefits	20.1	**2 408 213**	2 703 833	**2 209 904**	2 482 196
Post-employment group life benefits	20.2	**54 163**	58 005	**47 960**	51 439
Post-employment retirement fund benefits	20.3	**247 860**	689 470	**247 860**	689 470
Total post-employment benefits		**2 710 236**	3 451 308	**2 505 724**	3 223 105
Maturity structure of post-employment benefits					
Within 12 months		**263 870**	226 079	**254 163**	216 922
More than 12 months		**2 446 366**	3 225 229	**2 251 561**	3 006 183
Total post-employment benefits		**2 710 236**	3 451 308	**2 505 724**	3 223 105

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 2019.

Balance at the beginning of the year		**2 703 833**	2 242 884	**2 482 196**	2 053 680
Movement during the year:					
Amount recognised in profit or loss	23.2	**306 253**	279 121	**282 620**	257 498
Interest cost		**240 008**	216 561	**220 347**	198 323
Service cost		**66 245**	62 560	**62 273**	59 175
Cash movements					
Benefits paid		**(103 613)**	(88 590)	**(94 837)**	(80 500)
Amount recognised in OCI		**(498 260)**	270 418	**(460 075)**	251 518
Financial assumption (gain)/loss		**(452 740)**	286 193	**(417 895)**	264 928
Experience gain on liabilities		**(45 520)**	(15 775)	**(42 180)**	(13 410)
Balance at the end of the year		**2 408 213**	2 703 833	**2 209 904**	2 482 196

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 2019.

Balance at the beginning of the year		**58 005**	45 698	**51 439**	40 435
Movement during the year:					
Amount recognised in profit or loss	23.2	**7 556**	6 353	**6 651**	5 587
Interest cost		**5 113**	4 384	**4 536**	3 882
Service cost		**2 443**	1 969	**2 115**	1 705
Cash movements					
Benefits paid		**(3 025)**	(2 370)	**(2 644)**	(2 038)
Amount recognised in OCI		**(8 373)**	8 324	**(7 486)**	7 455
Financial assumption (gain)/loss		**(8 255)**	4 893	**(7 313)**	4 342
Experience (gain)/loss on liabilities		**(118)**	3 431	**(173)**	3 113
Balance at the end of the year		**54 163**	58 005	**47 960**	51 439

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

20. POST-EMPLOYMENT BENEFITS continued

20.3 Post-employment retirement fund benefits

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

Statutory actuarial valuations are performed tri-annually with the 31 March 2018 valuation having found the fund to be in a sound financial position. Interim actuarial valuations are concluded annually (except in years where a statutory valuation is performed), with the 31 March 2019 interim valuation currently being concluded. 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 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 2019 was R4.2 billion (2018: R4.0 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 935 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 (IAS 19)* valuation of this defined benefit at 31 March 2019 was performed by an independent actuary, the result of which can be summarised as follows:

	Notes	Present value of obligation R'000	Fair value of plan assets R'000	Unrecognised due to paragraph 65 limit R'000	Total R'000
Group and SARB 2019					
Balance at the beginning of the year		2 441 214	(1 751 744)	–	689 470
Movement during the year:					
Amount recognised in profit or loss	23.2	246 511	(155 873)	–	90 638
Service cost		27 459	–	–	27 459
Interest cost		218 958	(155 873)	–	63 085
Past service cost		94	–	–	94
Cash movements		38 977	(39 071)	–	(94)
Benefits paid/(received)		38 977	(38 977)	–	–
Employer contributions received		–	(94)	–	(94)
Amount recognised in OCI		(550 658)	18 504	–	(532 154)
Financial assumption (gain)/loss		(484 473)	18 504	–	(465 969)
Experience (gain)/loss on liabilities		(66 185)	–	–	(66 185)
Balance at the end of the year		2 176 044	(1 928 184)	–	247 860

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

20. POST-EMPLOYMENT BENEFITS continued

20.3 Post-employment retirement fund benefits *continued*

	Notes	Present value of obligation R'000	Fair value of plan assets R'000	Unrecognised due to paragraph 65 limit R'000	Total R'000
Group and SARB 2018					
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/(income)		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 OCI					
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

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

The assets and liabilities of the defined benefit fund, which has been closed to new members since 1 July 1995, were transferred to the retirement fund on 31 March 2011. At present, 210 pensioners qualify for the defined benefits. The benefits provided are based on the individual's years of membership and salary levels. These benefits were provided from contributions made by employees and the employer, and income derived from assets of the plan. The actuarial risk in respect of current pension commitments has mainly been transferred to Sanlam, which has a credit rating of AA (Standard and Poor's), no further financial disclosures are deemed necessary in respect of the defined benefit, as required by *IAS 19*. The actuarial liability as at 31 March 2019 amounted to R163.8 million, while the plan assets towards this liability amounted to R178.2 million.

Since inception in 1995, there has not been a shortage in the pension account for any given year. The most recent statutory valuation at 31 March 2018 found the fund to be fully funded, with the actuarial liability of pensions to be R1.6 billion with plan assets of R1.7 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 2019 per the interim valuation:

Local equities	31.20%
Local property	5.06%
Local fixed interest	25.67%
Cash	7.99%
Foreign investments	22.38%
Other	7.70%
	100.00%

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

20. POST-EMPLOYMENT BENEFITS continued

20.4 Key assumptions[1]

	Post-employment benefits	
	2019	2018
Discount rate (Post-employment group life and medical benefits)	**10.30%**	9.05%
Discount rate (Post-employment retirement fund benefits)	**9.70%**	8.80%
Medical inflation (Post-employment medical benefits)	**7.50%**	7.45%
Medical inflation (Post-employment group life benefits)	**7.00%**	7.45%
Net discount rate (Post-employment medical benefits)	**2.60%**	1.49%
Net discount rate (Post-employment group life benefits)	**3.08%**	1.49%
Salary inflation	**7.00%**	7.00%
Premium rate	**0.50%**	0.50%
Inflation rate (Post-employment group life and medical benefits)	**6.00%**	5.95%
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 2019**	31 March 2018

(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 2019

20. POST-EMPLOYMENT BENEFITS continued

20.5 Sensitivity analysis

	GROUP		SARB	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
The effect of a 1% increase and decrease in the discount rate is as follows:				
Employers' accrued liability				
1% decrease	**3 655 683**	4 750 771	**3 421 748**	4 486 034
Valuation basis	**2 710 236**	3 451 308	**2 505 724**	3 223 105
1% increase	**2 058 235**	2 409 449	**1 877 615**	2 210 452
Employers' service and interest cost				
1% decrease	**595 405**	661 206	**569 907**	635 030
Valuation basis[1]	**518 022**	559 400	**493 951**	534 862
1% increase	**469 302**	468 346	**446 477**	445 229
The effect of a 1% increase and decrease in the medical inflation rate is as follows:				
Employers' accrued liability				
1% decrease	**2 408 218**	3 076 107	**2 227 256**	2 876 497
Valuation basis	**2 710 236**	3 451 308	**2 505 724**	3 223 105
1% increase	**3 083 082**	3 922 420	**2 849 966**	3 659 019
Employers' service and interest cost				
1% decrease	**477 161**	511 915	**455 992**	490 669
Valuation basis[1]	**518 022**	559 400	**493 951**	534 862
1% increase	**569 205**	619 983	**541 513**	591 358
The effect of a one year increase and decrease in the post-retirement mortality rate is as follows:				
Employers' accrued liability				
1 year downward	**2 869 860**	3 643 955	**2 659 559**	3 408 490
Valuation basis	**2 710 236**	3 451 308	**2 505 724**	3 223 105
1 year upward	**2 548 688**	3 257 588	**2 349 976**	3 036 607
Employers' service and interest cost				
1 year downward	**538 414**	582 863	**513 661**	557 546
Valuation basis[1]	**518 022**	559 400	**493 951**	534 862
1 year upward	**497 345**	535 756	**473 958**	511 993
The effect of a 1% increase and decrease in the salary inflation rate is as follows:				
Employers' accrued liability				
1% decrease	**2 705 730**	3 441 622	**2 500 903**	3 213 738
Valuation basis	**2 710 236**	3 451 308	**2 505 724**	3 223 105
1% increase	**2 715 286**	3 462 077	**2 511 073**	3 233 511
Employers' service and interest cost				
1% decrease	**516 947**	558 871	**492 826**	534 399
Valuation basis[1]	**518 022**	559 400	**493 951**	534 862
1% increase	**519 235**	560 007	**495 215**	535 392
The effect of a one year increase and decrease in the base pension increase rate is as follows:				
Employers' accrued liability				
1 year downward	**2 335 654**	3 093 114	**2 131 142**	2 864 911
Valuation basis	**2 710 236**	3 451 308	**2 505 724**	3 223 105
1 year upward	**3 308 368**	3 880 768	**3 103 856**	3 652 565
Employers' service and interest cost				
1 year downward	**469 132**	516 530	**445 061**	491 992
Valuation basis[1]	**518 022**	559 400	**493 951**	534 862
1 year upward	**601 182**	610 805	**577 111**	586 267

(1) Forecast service and interest costs for the year ending 2020.

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

21. GOLD AND FOREIGN EXCHANGE CONTINGENCY RESERVE ACCOUNT

		GROUP		SARB	
	Notes	**2019 R'000**	2018 R'000	**2019 R'000**	2018 R'000
Opening balance		**193 917 028**	231 158 237	**193 917 028**	231 158 237
Profit/(loss) on gold price adjustment account		**12 428 648**	(3 114 436)	**12 428 648**	(3 114 436)
(Loss)/profit on FEC adjustment account		**(28 230 172)**	6 024 390	**(28 230 172)**	6 024 390
Profit/(loss) on foreign exchange adjustment account		**104 738 946**	(40 444 664)	**104 738 946**	(40 444 664)
Movement in unrealised gains on FECs		**2 833 359**	68 918	**2 833 359**	68 918
		285 687 809	193 692 445	**285 687 809**	193 692 445
Payments from National Treasury		**141 480**	224 583	**141 480**	224 583
Closing balance		**285 829 289**	193 917 028	**285 829 289**	193 917 028
Balance composition					
Balance currently due to SA government		**285 730 764**	196 651 863	**285 730 764**	196 651 863
Unrealised gains/(losses) on FECs	8	**98 525**	(2 734 835)	**98 525**	(2 734 835)
		285 829 289	193 917 028	**285 829 289**	193 917 028

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 R141.5 million was settled by SA government (2018: R224.6 million).

22. SHARE CAPITAL

Authorised and issued				
2 000 000 shares (2018: 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:

Income from investments		**41 176**	45 581	**39 181**	48 088
Dividends received		**39 181**	47 299	**39 181**	47 299
Fair value adjustments on investments		**1 995**	(2 507)	**–**	–
Realised (losses)/gains on available-for-sale financial assets		**–**	789	**–**	789
Income from subsidiaries and associate	34.5	**–**	–	**256 287**	158 278
Dividends received		**–**	–	**250 200**	150 200
Interest		**–**	–	**1 295**	767
Management fees		**–**	–	**4 792**	7 311
Commission on banking services		**1 294 271**	994 244	**1 294 271**	994 244

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 2019

23. PROFIT BEFORE TAXATION continued

23.2 Operating costs include:

		GROUP		SARB	
	Notes	**2019 R'000**	2018 R'000	**2019 R'000**	2018 R'000
Directors' remuneration	34.7	**33 974**	27 553	**33 409**	27 001
For services as non-executive directors		**5 055**	5 166	**4 490**	4 614
For services as executive directors		**28 919**	22 387	**28 919**	22 387
Depreciation, amortisation and impairment	12 & 13	**444 153**	479 754	**296 176**	331 220
Buildings		**36 201**	95 908	**30 433**	90 024
Plant, vehicles, furniture and equipment		**312 392**	294 375	**181 566**	165 064
Computer software		**95 560**	89 471	**84 177**	76 132
Net loss/(profit) on disposal of:		**52 850**	30 044	**52 431**	33 078
Land		**–**	(2 302)	**–**	–
Plant, vehicles, furniture and equipment		**52 850**	32 346	**52 431**	33 078
Write-down of inventories	7	**29 614**	41 024	**–**	–
Auditors' remuneration		**17 967**	18 140	**12 772**	13 508
Audit fees		**16 273**	14 232	**11 741**	10 235
Fees for other services		**1 694**	3 908	**1 031**	3 273
Consulting fees		**106 110**	126 696	**89 271**	107 566
Retirement benefit costs		**786 712**	716 237	**705 464**	641 952
Contributions to funds – Normal		**232 668**	214 557	**201 945**	185 987
Contributions to funds – Additional		**23 733**	75 348	**23 733**	75 348
Provision for post-employment medical benefits	20.1	**306 253**	279 121	**282 620**	257 498
Provision for post-employment group life benefits	20.2	**7 556**	6 353	**6 651**	5 587
Provision for post-employment retirement fund benefits	20.3	**90 638**	33 785	**90 638**	33 785
Premiums paid – Medical aid		**119 977**	102 256	**97 112**	81 572
Premiums paid – Group life		**5 887**	4 817	**2 765**	2 175
Remuneration and recurring staff costs		**2 217 855**	2 193 222	**1 775 840**	1 813 304
Cost of new currency		**698 951**	212 951	**2 324 289**	1 041 853
Other operating costs[1]		**3 478 384**	1 641 473	**1 188 016**	652 205

(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 2019

24. TAXATION

		GROUP		SARB	
	Notes	**2019 R'000**	2018 R'000	**2019 R'000**	2018 R'000
South African normal taxation					
Current taxation		**(2 299 925)**	(285 917)	**(1 874 555)**	(17 830)
Deferred taxation					
Current year timing differences	14	**13 462**	(498 936)	**78 283**	(494 140)
Adjustment in respect of prior years	14	**55 826**	(30 962)	**55 826**	(31 133)
Total taxation		**(2 230 637)**	(815 815)	**(1 740 446)**	(543 103)
Reconciliation of taxation rate					
South African normal taxation rate		**28.00%**	28.00%	**28.00%**	28.00%
Adjusted for:					
Disallowable expenses		**2.26%**	2.23%	**4.40%**	2.46%
Exempt income and special deductions		**(3.28%)**	(6.22%)	**(4.12%)**	(4.09%)
Prior years		**(0.70%)**	1.14%	**(0.88%)**	1.71%
Effective taxation rate		**26.28%**	25.15%	**27.40%**	28.08%
Taxation paid					
Opening balance – taxation payable		**(20 390)**	(4 740)	**(17 830)**	–
Taxation for the year		**(2 299 925)**	(285 917)	**(1 874 555)**	(17 830)
Interest accrued		**–**	153	**–**	–
Closing balance – taxation payable[1]		**124 303**	20 390	**107 919**	17 830
Taxation paid[2]		**(2 196 012)**	(270 114)	**(1 784 466)**	–

(1) Consists of taxation receivable of R1.4 million (2018: R5.0 million) and taxation payable of R0.1 billion (2018: R25.4 million).

(2) Consists of taxation received of R5.1 million (2018: R0) and taxation paid of R2.2 billion (2018: R0.3 billion).

25. DIVIDENDS PAID

Dividends were paid as follows:				
Final dividend of 5 cents per share for the 2018 financial year	**100**	100	**100**	100
Interim dividend of 5 cents per share for the 2019 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 2019

26. CASH GENERATED FROM OPERATING ACTIVITIES

		GROUP		SARB	
	Notes	**2019 R'000**	2018 R'000	**2019 R'000**	2018 R'000
Reconciliation of profit before taxation to cash generated from operating activities					
Profit before taxation for the year		**8 489 570**	3 243 512	**6 351 089**	1 934 104
Adjustments for:					
Depreciation, amortisation and impairment	12 & 13	**444 153**	479 754	**296 176**	331 220
Net loss on disposal of fixed assets	23.2	**52 850**	30 044	**52 431**	33 078
Profit from associate	34.2	**(546 682)**	(423 903)	**–**	–
Unrealised foreign exchange loss		**113**	9 991	**–**	–
Fair value adjustments on investments	23.1	**(1 995)**	2 507	**–**	–
Realised gains on available-for-sale financial assets	23.1	**–**	(789)	**–**	(789)
Post-employment benefits		**297 715**	226 360	**282 334**	212 393
Coupon interest accrued		**(109 555)**	4 763	**(109 555)**	3 316
Amortisation of coupon interest		**(35 107)**	(32 388)	**(35 107)**	(32 388)
Net cash generated from operating activities		**8 591 062**	3 539 851	**6 837 368**	2 480 934
Changes in working capital					
Amounts due from subsidiaries		**–**	–	**13 138**	(30 529)
Accommodation to banks		**5 423 354**	(7 164 866)	**5 423 354**	(7 164 866)
Other assets		**151 587**	(974 963)	**213 730**	(985 405)
Gold and foreign exchange		**(122 783 467)**	25 165 837	**(122 783 467)**	25 165 837
Inventories		**(537 627)**	(129 881)	**1 155**	590
Loans and advances		**(62 561)**	10 086 897	**1 419**	2 039
SA government bonds		**–**	389 773	**–**	–
Equity investment in BIS		**(598 031)**	19 777	**(598 031)**	19 777
Notes and coin in circulation		**4 976 797**	14 033 499	**4 976 797**	14 033 499
Deposit accounts		**7 020 767**	13 199 500	**4 938 752**	10 046 877
Amounts due to subsidiaries		**–**	–	**(6 664 716)**	(1 224 525)
Other liabilities		**1 287 619**	391 473	**642 569**	410 053
Foreign deposits		**20 602 845**	(4 699 524)	**20 602 845**	(4 699 524)
SARB debentures		**(315 383)**	(270 889)	**(315 383)**	(270 889)
GFECRA		**89 078 901**	(37 310 127)	**89 078 901**	(37 310 127)
Cash generated from/(utilised by) changes in working capital		**4 244 801**	12 736 506	**(4 468 937)**	(2 007 193)
Cash generated from operating activities		**12 835 863**	16 276 357	**2 368 431**	473 741

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

27. CAPITAL COMMITMENTS

	GROUP		SARB	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Capital expenditure contracted for at the end of the reporting period but not yet incurred	**438 048**	371 674	**421 113**	317 356
Buildings	**1 935**	4 308	**–**	–
Plant, vehicles, furniture and equipment	**181 383**	123 369	**170 561**	81 122
Intangible assets	**254 730**	243 997	**250 552**	236 234
Capital expenditure approved but not yet contracted for at the end of the reporting period	**495 168**	310 501	**233 120**	163 183
Buildings	**73 162**	11 266	**–**	–
Plant, vehicles, furniture and equipment	**239 331**	204 946	**78 326**	86 546
Intangible assets	**182 675**	94 289	**154 794**	76 637
Total capital commitments	**933 216**	682 175	**654 233**	480 539

These capital commitments will be funded from internal resources.

28. EVENTS AFTER REPORTING DATE

No material events occurred between 31 March 2019 and the date of signing this report requiring disclosure in, or adjustment to, the financial statements for the year ended 31 March 2019.

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS

Introduction

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

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

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

Reserves management

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

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

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS continued

Framework

The risk tolerance of the SARB, as far as reserves management operations are concerned, is specified and implemented through the Investment Policy (IP) (which can be found at http://www.resbank.co.za/Markets/ForeignReserves/Pages/Investment-Policy.aspx), the Strategic Asset Allocation (SAA), the active risk budget and the IG. The IP provides a strategic framework that guides FMD and the Reserves Management Committee (Resmanco) in their respective roles in the reserves management process. The IP specifies, among other things, the aggregate tolerance parameters of the SARB and the eligible asset classes, which are implemented through the SAA.

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

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

Governance

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

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

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

Daily operations

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

Statement of financial position impact

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

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS continued

Monetary policy

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

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

Framework

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

Governance

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

Daily operations

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

Statement of financial position impact

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

29.1 Market risk

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

29.1.1 Interest rate risk

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

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

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS continued

29.1 Market risk continued

29.1.2 Price risk

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

29.1.3 Currency risk

29.1.3.1 Foreign exchange operations

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

29.1.3.2 Concentration risk

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

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS continued

29.1 Market risk continued

29.1.3 Currency risk continued

29.1.3.2 Concentration risk continued

	South African rand		Gold		United States dollar		Euro		Pound sterling		Chinese Yen		Other		Total	
	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%
GROUP 2019																
Financial assets																
Amortised cost																
Cash and cash equivalents	36 894 034	99.9	–	0.0	34 216	0.1	2 233	0.0	–	0.0	–	0.0	–	0.0	36 930 483	100.0
Accommodation to banks	61 426 574	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	61 426 574	100.0
Other financial assets	802 522	98.5	–	0.0	8 525	1.0	3 775	0.5	–	0.0	–	0.0	–	0.0	814 822	100.0
Loans and advances	17 632 742	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	17 632 742	100.0
FVPL																
Investments	16 848 505	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	16 848 505	100.0
SA government bonds	8 010 323	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	8 010 323	100.0
FVOCI																
Equity investment in BIS	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	4 333 257	100.0	4 333 257	100.0
SARB Act																
Gold and foreign exchange	–	0.0	75 692 246	10.6	417 762 734	58.4	49 870 658	7.0	53 138 510	7.4	49 756 921	7.0	69 179 682	9.7	715 400 751	100.0
FEC assets	–	0.0	–	0.0	216 094	100.0	–	0.0	–	0.0	–	0.0	–	0.0	216 094	100.0
Total financial assets	141 614 700	16.4	75 692 246	8.8	418 021 569	48.5	49 876 666	5.8	53 138 510	6.2	49 756 921	5.8	73 512 939	8.5	861 613 551	100.0
Unrecognised financial assets (R'000) – 31 March 2019																
Guarantees	3 000 000	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	3 000 000	100.0
Total unrecognised financial assets	3 000 000	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	3 000 000	100.0
Financial liabilities (R'000) – 31 March 2019																
Amortised cost																
Notes and coin in circulation	151 306 952	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	151 306 952	100.0
Deposit accounts	287 041 097	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	287 041 097	100.0
Other financial liabilities	1 514 468	68.9	–	0.0	660 247	30.0	22 444	1.0	–	0.0	–	0.0	42	0.0	2 197 201	100.0
SARB debentures	25 023	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	25 023	100.0
FVPL																
Foreign deposits	–	0.0	–	0.0	104 588 434	85.3	5 565 476	4.5	–	0.0	6 449 628	5.3	5 955 099	4.9	122 558 637	100.0
SARB Act																
FEC liabilities	–	0.0	–	0.0	117 569	100.0	–	0.0	–	0.0	–	0.0	–	0.0	117 569	100.0
GFECRA	285 829 289	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	285 829 289	100.0
Total financial liabilities	725 716 829	85.5	–	0.0	105 366 250	12.4	5 587 920	0.7	–	0.0	6 449 628	0.8	5 955 141	0.7	849 075 768	100.0
Unrecognised financial liabilities (R'000) - 31 March 2019																
CLF	139 980 000	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	139 980 000	100.0
Guarantees	3 000 000	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	3 000 000	100.0
Total unrecognised financial liabilities	142 980 000	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	142 980 000	100.0

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS continued

29.1 Market risk continued

29.1.3 Currency risk continued

29.1.3.2 Concentration risk continued

	South African rand		Gold		United States dollar		Euro		Pound sterling		Chinese Yen		Other		Total	
	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%
GROUP 2018																
Financial assets																
Amortised cost																
Cash and cash equivalents	38 487 112	99.8	–	0.0	72 379	0.2	88	0.0	–	0.0	–	0.0	–	0.0	38 559 579	100.0
Accommodation to banks	66 849 928	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	66 849 928	100.0
Other financial assets	1 237 940	97.0	–	0.0	33 710	2.6	4 430	0.3	–	0.0	–	0.0	–	0.0	1 276 080	100.0
Loans and advances	17 570 181	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	17 570 181	100.0
FVPL																
Investments	5 833 619	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	5 833 619	100.0
Gold and foreign exchange	–	0.0	63 252 910	10.7	340 748 762	57.5	44 985 584	7.6	46 344 365	7.8	41 210 754	7.0	56 074 909	9.5	592 617 284	100.0
FEC assets	–	0.0	–	0.0	52 353	100.0	–	0.0	–	0.0	–	0.0	–	0.0	52 353	100.0
FVOCI																
SA government bonds	8 083 658	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	8 083 658	100.0
Equity investment in BIS	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	450 780	100.0	450 780	100.0
Total financial assets	138 062 438	18.9	63 252 910	8.6	340 907 204	46.6	44 990 102	6.2	46 344 365	6.3	41 210 754	5.6	56 525 689	7.7	731 293 462	100.0
Unrecognised financial assets (R'000) - 31 March 2018																
Guarantees	3 000 000	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	3 000 000	100.0
Total unrecognised financial assets	3 000 000	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	3 000 000	100.0
Financial liabilities (R'000) - 31 March 2018																
Amortised cost																
Notes and coin in circulation	146 330 155	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	146 330 155	100.0
Deposit accounts	280 020 330	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	280 020 330	100.0
Other financial liabilities	1 238 902	95.0	–	0.0	58 889	4.5	6 409	0.5	8	0.0	–	0.0	6	0.0	1 304 214	100.0
SARB debentures	340 406	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	340 406	100.0
Foreign deposits	–	0.0	–	0.0	86 698 256	85.0	5 020 972	4.9	–	0.0	5 342 411	5.2	4 894 153	4.8	101 955 792	100.0
FEC liabilities	–	0.0	–	0.0	2 787 188	100.0	–	0.0	–	0.0	–	0.0	–	0.0	2 787 188	100.0
GFECRA	193 917 028	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	193 917 028	100.0
Total financial liabilities	621 846 821	85.6	–	0.0	89 544 333	12.3	5 027 381	0.7	8	0.0	5 342 411	0.7	4 894 159	0.7	726 655 113	100.0
Unrecognised financial liabilities (R'000) - 31 March 2018																
CLF	132 982 000	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	132 982 000	100.0
Guarantees	3 000 000	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	3 000 000	100.0
Total unrecognised financial liabilities	135 982 000	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	135 982 000	100.0

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS continued

29.1 Market risk continued

29.1.3 Currency risk continued

29.1.3.2 Concentration risk continued

	South African rand		Gold		United States dollar		Euro		Pound sterling		Chinese Yen		Other		Total	
	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%
SARB 2019																
Financial assets																
Amortised cost																
Amounts due by subsidiaries	20 844	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	20 844	100.0
Accommodation to banks	61 426 574	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	61 426 574	100.0
Other financial assets	575 713	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	575 713	100.0
Loans and advances	56 976	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	56 976	100.0
FVPL																
SA government bonds	8 010 323	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	8 010 323	100.0
FVOCI																
Equity investment in BIS	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	4 333 257	100.0	4 333 257	100.0
SARB Act																
Gold and foreign exchange	–	0.0	75 692 246	10.6	417 762 734	58.4	49 870 658	7.0	53 138 510	7.4	49 756 921	7.0	69 179 682	9.7	715 400 751	100.0
FEC assets	–	0.0	–	0.0	216 094	100.0	–	0.0	–	0.0	–	0.0	–	0.0	216 094	100.0
Total financial assets	70 090 430	8.9	75 692 246	9.6	417 978 828	52.9	49 870 658	6.3	53 138 510	6.7	49 756 921	6.3	73 512 939	9.3	790 040 532	100.0
Unrecognised financial assets (R'000) – 31 March 2019																
Guarantees	3 000 000	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	3 000 000	100.0
Total unrecognised financial assets	3 000 000	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	3 000 000	100.0
Financial liabilities (R'000) – 31 March 2019																
Amortised cost																
Notes and coin in circulation	151 306 952	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	151 306 952	100.0
Deposit accounts	216 578 919	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	216 578 919	100.0
Amounts due to subsidiaries	871 752	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	871 752	100.0
Other financial liabilities	1 285 389	95.6	–	0.0	58 597	4.4	–	0.0	–	0.0	–	0.0	–	0.0	1 343 986	100.0
SARB debentures	25 023	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	25 023	100.0
FVPL																
Foreign deposits	–	0.0	–	0.0	104 588 434	85.3	5 565 476	4.5	–	0.0	6 449 628	5.3	5 955 099	4.9	122 558 637	100.0
SARB Act																
FEC liabilities	–	0.0	–	0.0	117 569	100.0	–	0.0	–	0.0	–	0.0	–	0.0	117 569	100.0
GFECRA	285 829 289	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	285 829 289	100.0
Total financial liabilities	655 897 324	84.2	–	0.0	104 764 600	13.5	5 565 476	0.7	–	0.0	6 449 628	0.8	5 955 099	0.8	778 632 127	100.0
Unrecognised financial liabilities (R'000) – 31 March 2019																
CLF	139 980 000	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	139 980 000	100.0
Guarantees	3 000 000	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	3 000 000	100.0
Total unrecognised financial liabilities	142 980 000	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	142 980 000	100.0

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS continued

29.1 Market risk continued

29.1.3 Currency risk continued

29.1.3.2 Concentration risk continued

	South African rand		Gold		United States dollar		Euro		Pound sterling		Chinese Yen		Other		Total	
	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%
SARB 2018																
Financial assets																
Amortised cost																
Amounts due by subsidiaries	33 982	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	33 982	100.0
Accommodation to banks	66 849 928	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	66 849 928	100.0
Other financial assets	1 122 332	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	1 122 332	100.0
Loans and advances	58 395	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	58 395	100.0
FVPL																
Gold and foreign exchange	–	0.0	63 252 910	10.7	340 748 762	57.5	44 985 584	7.6	46 344 365	7.8	41 210 754	7.0	56 074 909	9.5	592 617 284	100.0
FEC assets	–	0.0	–	0.0	52 353	100.0	–	0.0	–	0.0	–	0.0	–	0.0	52 353	100.0
FVOCI																
SA government bonds	8 083 658	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	8 083 658	100.0
Equity investment in BIS	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	450 780	100.0	450 780	100.0
Total financial assets	76 148 295	11.4	63 252 910	9.5	340 801 115	50.9	44 985 584	6.7	46 344 365	6.9	41 210 754	6.2	56 525 689	8.4	669 268 712	100.0
Unrecognised financial assets (R'000) - 31 March 2018																
Guarantees	3 000 000	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	3 000 000	100.0
Total unrecognised financial assets	3 000 000	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	3 000 000	100.0
Financial liabilities (R'000) - 31 March 2018																
Amortised cost																
Notes and coin in circulation	146 330 155	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	146 330 155	100.0
Deposit accounts	211 640 167	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	211 640 167	100.0
Amounts due to subsidiaries	7 536 468	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	7 536 468	100.0
Other financial liabilities	1 070 585	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	1 070 585	100.0
SARB debentures	340 406	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	340 406	100.0
Foreign deposits	–	0.0	–	0.0	86 698 256	85.0	5 020 972	4.9	–	0.0	5 342 411	5.2	4 894 153	4.8	101 955 792	100.0
FEC liabilities	–	0.0	–	0.0	2 787 188	100.0	–	0.0	–	0.0	–	0.0	–	0.0	2 787 188	100.0
GFECRA	193 917 028	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	193 917 028	100.0
Total financial liabilities	560 834 809	84.3	–	0.0	89 485 444	13.4	5 020 972	0.8	–	0.0	5 342 411	0.8	4 894 153	0.7	665 577 789	100.0
Unrecognised financial liabilities (R'000) - 31 March 2018																
CLF	132 982 000	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	132 982 000	100.0
Guarantees	3 000 000	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	3 000 000	100.0
Total unrecognised financial liabilities	135 982 000	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	135 982 000	100.0

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS continued

29.2 Credit risk

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

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

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

29.2.1 Credit risk measurement

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

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

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

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

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29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS continued

29.2 Credit risk continued

The instruments relating to the foreign reserves are summarised below:

	GROUP		SARB	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
AAA	**176 773 824**	167 908 381	**176 773 824**	167 908 381
AA	**125 035 629**	53 880 597	**125 035 629**	53 880 597
A	**81 987 521**	46 402 240	**81 987 521**	46 402 240
A-1	**260 244 788**	261 623 936	**260 244 788**	261 623 936
Total foreign financial assets	**644 041 762**	529 815 154	**644 041 762**	529 815 154

The instruments relating to the foreign reserves are summarised below:

Government bonds	**148 457 075**	194 811 568	**148 457 075**	194 811 568
Government Treasury Bills	**59 075 205**	125 126 265	**59 075 205**	125 126 265
Agency bonds	**101 744 014**	28 969 964	**101 744 014**	28 969 964
Money market securities	**158 185 218**	107 424 098	**158 185 218**	107 424 098
Superanationals	**101 144 361**	47 250 985	**101 144 361**	47 250 985
Agency mortgage-backed securities	**16 593 771**	11 883 428	**16 593 771**	11 883 428
Credit bonds	**19 578 191**	9 002 384	**19 578 191**	9 002 384
State provinces	**34 804 432**	4 789 778	**34 804 432**	4 789 778
BIS equity	**4 333 257**	450 780	**4 333 257**	450 780
Other equities	**126 238**	105 904	**126 238**	105 904
Total foreign financial assets	**644 041 762**	529 815 154	**644 041 762**	529 815 154

29.2.2 ECL measurement

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

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

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS continued

29.2 Credit risk continued

29.2.2 ECL measurement continued

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

29.2.2.1 Significant increase in credit risk

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

Quantitative criteria:

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

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

Qualitative criteria:

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

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

The Group has not used the low credit risk exemption for any financial instruments in the year ended 31 March 2019.

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS continued

29.2 Credit risk continued

29.2.2 ECL measurement continued

29.2.2.2 Definition of default and credit-impaired assets

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

Quantitative criteria:

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

Qualitative criteria:

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

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

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

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

During the year none of the financial instruments met the definition of default or credit-impaired.

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

The ECL is measured on either a 12-month (12M) or Lifetime basis depending on whether a SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECLs are the discounted product of the PD, EAD, and LGD, defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).
- LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of EAD. LGD is calculated on a 12M or lifetime basis, where 12M LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed.

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS continued

29.2 Credit risk continued

29.2.2 ECL measurement continued

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

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

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

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

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

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

29.2.2.4 Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL don't incorporate forward-looking information due to the undue cost or effort required. Given the nature of the short-term exposures, forward-looking information is expected to have a small impact on impairments. As a result of the short-term nature of instruments a one notch downgrade in PD's at the reporting date is deemed by management to be sufficient. This will be reviewed annually or following the occurrence of a specific event such as a rating downgrade or events that may lead to rating downgrades. Should the nature and lifetime of the exposures change and lengthen, the forward-looking component will have to be considered in more detail, modelling to macro-economic variables.

29.2.3 Credit risk exposure

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

During the year none of the financial instruments were subject to impairment.

29.2.3.2 Collateral and other credit enhancements

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

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

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

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.

The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group since the prior period.

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS continued

29.2 Credit risk continued

29.2.4 Loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between stage 1 and stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12M and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

During the year none of the financial instruments were subject to loss allowances.

29.3 Liquidity risk

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

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS continued

29.3 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 2019							
Financial assets							
Cash and cash equivalents	–	14 092 040	22 838 443	–	–	–	36 930 483
Accommodation to banks	61 426 574	–	–	–	–	–	61 426 574
Other financial assets	–	522 960	291 862	–	–	–	814 822
Loans and advances	17 575 766	–	–	–	56 976	–	17 632 742
Investments	–	1 856 088	12 130 159	2 862 258	–	–	16 848 505
SA government bonds	–	–	–	–	–	8 010 323	8 010 323
Equity investment in BIS	4 333 257	–	–	–	–	–	4 333 257
Gold and foreign exchange	117 625 017	126 135 820	48 399 657	69 549 906	81 578 428	272 111 923	715 400 751
FEC assets	–	94 504	59 195	39 190	23 205	–	216 094
Total financial assets	200 960 614	142 701 412	83 719 316	72 451 354	81 658 609	280 122 246	861 613 551
Unrecognised financial assets							
Guarantees	3 000 000	–	–	–	–	–	3 000 000
Total unrecognised financial assets	3 000 000	–	–	–	–	–	3 000 000
Financial liabilities							
Notes and coin in circulation	151 306 952	–	–	–	–	–	151 306 952
Deposit accounts	171 088 294	115 952 803	–	–	–	–	287 041 097
Foreign deposits	19 675	122 538 962	–	–	–	–	122 558 637
Other financial liabilities	–	1 595 255	60 475	144 210	397 261	–	2 197 201
SARB debentures	–	25 023	–	–	–	–	25 023
FEC liabilities	–	108 756	8 813	–	–	–	117 569
GFECRA	285 829 289	–	–	–	–	–	285 829 289
Total financial liabilities	608 244 210	240 220 799	69 288	144 210	397 261	–	849 075 768
Unrecognised financial liabilities							
CLF	139 980 000	–	–	–	–	–	139 980 000
Guarantees	3 000 000	–	–	–	–	–	3 000 000
Total unrecognised financial liabilities	142 980 000	–	–	–	–	–	142 980 000

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS continued

29.3 Liquidity risk continued

	Current					Non-current	
	Redeemable on demand R'000	Up to 1 month R'000	1 – 3 months R'000	4 – 6 months R'000	7 – 12 months R'000	More than 1 year R'000	Total R'000
GROUP 2018							
Financial assets							
Cash and cash equivalents	–	25 901 207	12 658 372	–	–	–	38 559 579
Accommodation to banks	66 849 928	–	–	–	–	–	66 849 928
Other financial assets	–	984 472	291 608	–	–	–	1 276 080
Loans and advances	17 511 786	–	–	–	58 395	–	17 570 181
Investments	–	199 515	4 581 902	1 052 202	–	–	5 833 619
Gold and foreign exchange	96 716 478	165 823 319	54 522 035	35 908 017	40 355 095	199 292 340	592 617 284
FEC assets	–	52 353	–	–	–	–	52 353
SA government bonds	–	–	–	–	–	8 083 658	8 083 658
Equity investment in BIS	450 780	–	–	–	–	–	450 780
Total financial assets	181 528 972	192 960 866	72 053 917	36 960 219	40 413 490	207 375 998	731 293 462
Unrecognised financial assets							
Guarantees	3 000 000	–	–	–	–	–	3 000 000
Total unrecognised financial assets	3 000 000	–	–	–	–	–	3 000 000
Financial liabilities							
Notes and coin in circulation	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
SARB debentures	–	340 406	–	–	–	–	340 406
FEC liabilities	–	505 410	851 079	501 066	929 633	–	2 787 188
GFECRA	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							
CLF	132 982 000	–	–	–	–	–	132 982 000
Guarantees	3 000 000	–	–	–	–	–	3 000 000
Total unrecognised financial liabilities	135 982 000	–	–	–	–	–	135 982 000

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS continued

29.3 Liquidity risk continued

	Current					Non-current	
	Redeemable on demand R'000	Up to 1 month R'000	1 – 3 months R'000	4 – 6 months R'000	7 – 12 months R'000	More than 1 year R'000	Total R'000
SARB 2019							
Financial assets							
Amounts due by subsidiaries	20 844	–	–	–	–	–	20 844
Accommodation to banks	61 426 574	–	–	–	–	–	61 426 574
Other financial assets	–	286 794	288 919	–	–	–	575 713
Loans and advances	–	–	–	–	56 976	–	56 976
SA government bonds	–	–	–	–	–	8 010 323	8 010 323
Equity investment in BIS	4 333 257	–	–	–	–	–	4 333 257
Gold and foreign exchange	117 625 017	126 135 820	48 399 657	69 549 906	81 578 428	272 111 923	715 400 751
FEC assets	–	94 504	59 195	39 190	23 205	–	216 094
Total financial assets	183 405 692	126 517 118	48 747 771	69 589 096	81 658 609	280 122 246	790 040 532
Unrecognised financial assets							
Guarantees	3 000 000	–	–	–	–	–	3 000 000
Total unrecognised financial assets	3 000 000	–	–	–	–	–	3 000 000
Financial liabilities							
Notes and coin in circulation	151 306 952	–	–	–	–	–	151 306 952
Deposit accounts	100 626 116	115 952 803	–	–	–	–	216 578 919
Amounts due to subsidiaries	871 752	–	–	–	–	–	871 752
Foreign deposits	19 675	122 538 962	–	–	–	–	122 558 637
Other financial liabilities	–	1 343 986	–	–	–	–	1 343 986
SARB debentures	–	25 023	–	–	–	–	25 023
FEC liabilities	–	108 756	8 813	–	–	–	117 569
GFECRA	285 829 289	–	–	–	–	–	285 829 289
Total financial liabilities	538 653 784	239 969 530	8 813	–	–	–	778 632 127
Unrecognised financial liabilities							
CLF	139 980 000	–	–	–	–	–	139 980 000
Guarantees	3 000 000	–	–	–	–	–	3 000 000
Total unrecognised financial liabilities	142 980 000	–	–	–	–	–	142 980 000

Notes to the consolidated and separate financial statements continued

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29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS continued

29.3 Liquidity risk continued

	Current					Non-current	
	Redeemable on demand R'000	Up to 1 month R'000	1 – 3 months R'000	4 – 6 months R'000	7 – 12 months R'000	More than 1 year R'000	Total R'000
SARB 2018							
Financial assets							
Amounts due by subsidiaries	33 982	–	–	–	–	–	33 982
Accommodation to banks	66 849 928	–	–	–	–	–	66 849 928
Other financial assets	–	849 072	273 260	–	–	–	1 122 332
Loans and advances	–	–	–	–	58 395	–	58 395
Gold and foreign exchange	96 716 478	165 823 319	54 522 035	35 908 017	40 355 095	199 292 340	592 617 284
FEC assets	–	52 353	–	–	–	–	52 353
SA government bonds	–	–	–	–	–	8 083 658	8 083 658
Equity investment in BIS	450 780	–	–	–	–	–	450 780
Total financial assets	164 051 168	166 724 744	54 795 295	35 908 017	40 413 490	207 375 998	669 268 712
Unrecognised financial assets							
Guarantees	3 000 000	–	–	–	–	–	3 000 000
Total unrecognised financial assets	3 000 000	–	–	–	–	–	3 000 000
Financial liabilities							
Notes and coin in circulation	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
SARB debentures	–	340 406	–	–	–	–	340 406
FEC liabilities	–	505 410	851 079	501 066	929 633	–	2 787 188
GFECRA	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							
CLF	132 982 000	–	–	–	–	–	132 982 000
Guarantees	3 000 000	–	–	–	–	–	3 000 000
Total unrecognised financial liabilities	135 982 000	–	–	–	–	–	135 982 000

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS continued

29.4 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.

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

30. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

	Total R'000	FVPL (Mandatory) R'000	FVPL (Designated) R'000	Amortised costs R'000	FVOCI R'000	SARB Act R'000	Fair value[1] R'000
GROUP 2019							
Financial assets							
Cash and cash equivalents	36 930 483	–	–	36 930 483	–	–	36 930 483
Accommodation to banks	61 426 574	–	–	61 426 574	–	–	61 426 574
Investments	16 848 505	–	16 848 505	–	–	–	–
Other financial assets	814 822	–	–	814 822	–	–	814 822
Gold and foreign exchange	715 400 751	139 113	597 636 620	–	–	117 625 018	–
FEC assets	216 094	–	–	–	–	216 094	–
Loans and advances	17 632 742	–	–	17 632 742	–		17 632 742
SA government bonds	8 010 323	–	8 010 323	–	–	–	–
Equity investment in BIS	4 333 257	–	–	–	3 735 226	598 031	–
Unrecognised financial assets							
Guarantees	–	–	–	–	–	–	3 000 000
Financial liabilities							
Notes and coin in circulation	151 306 952	–	–	151 306 952	–	–	151 306 952
Deposit accounts[2]	287 041 097	–	–	287 041 097	–	–	287 041 097
Foreign deposits	122 558 637	–	122 558 637	–	–	–	–
Other financial liabilities	2 197 201	–	58 597	2 138 604	–	–	2 138 604
SARB debentures	25 023	–	–	25 023	–	–	25 023
FEC liabilities	117 569	–	–	–	–	117 569	–
GFECRA	285 829 289	–	–	–	–	285 829 289	–
Unrecognised financial liabilities							
CLF	–	–	–	–	–	–	139 980 000
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) 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 2019

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 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	–	–	–	–
FEC assets	52 353	52 353	–	–	–	–	–
Loans and advances	17 570 181	–	–	–	17 570 181	–	17 570 181
SA government bonds	8 083 658	–	–	8 083 658	–	–	–
Equity investment in BIS[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
SARB debentures	340 406	–	–	–	–	340 406	340 406
FEC liabilities	2 787 188	2 787 188	–	–	–	–	–
GFECRA	193 917 028	–	–	–	–	193 917 028	193 917 028
Unrecognised financial liabilities							
CLF	–	–	–	–	–	–	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 2019

30. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES continued

	Total R'000	FVPL (Mandatory) R'000	FVPL (Designated) R'000	Amortised cost R'000	FVOCI R'000	SARB Act R'000	Fair value[1] R'000
SARB 2019							
Financial assets							
Amounts due by subsidiaries	20 844	–	–	20 844	–	–	20 844
Accommodation to banks	61 426 574	–	–	61 426 574	–	–	61 426 574
Other financial assets	575 713	–	–	575 713	–	–	575 713
Gold and foreign exchange	715 400 751	139 113	597 636 620	–	–	117 625 018	–
FEC assets	216 094	–	–	–	–	216 094	–
Loans and advances	56 976	–	–	56 976	–	–	56 976
SA government bonds	8 010 323	–	8 010 323	–	–	–	–
Equity investment in BIS	4 333 257	–	–	–	3 735 226	598 031	–
Unrecognised financial assets							
Guarantees	–	–	–	–	–	–	3 000 000
Financial liabilities							
Notes and coin in circulation	151 306 952	–	–	151 306 952	–	–	151 306 952
Deposit accounts[2]	216 578 919	–	–	216 578 919	–	–	216 578 919
Amounts due to subsidiaries	871 752	–	–	871 752	–	–	871 752
Foreign deposits	122 558 637	–	122 558 637	–	–	–	–
Other financial liabilities	1 343 986	–	58 597	1 285 389	–	–	1 285 389
SARB debentures	25 023	–	–	25 023	–	–	25 023
FEC liabilities	117 569	–	–	–	–	117 569	–
GFECRA	285 829 298	–	–	–	–	285 829 289	–
Unrecognised financial liabilities							
CLF	–	–	–	–	–	–	139 980 000
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) 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 2019

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	–	–	–	–
FEC assets	52 353	52 353	–	–	–	–	–
Loans and advances	58 395	–	–	–	58 395	–	58 395
SA government bonds	8 083 658	–	–	8 083 658	–	–	–
Equity investment in BIS[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
SARB debentures	340 406	–	–	–	–	340 406	340 406
FEC liabilities	2 787 188	2 787 188	–	–	–	–	–
GFECRA	193 917 028	–	–	–	–	193 917 028	193 917 028
Unrecognised financial liabilities							
CLF	–	–	–	–	–	–	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 2019

31. FAIR VALUE HIERARCHY DISCLOSURES

The tables on pages 91 to 94 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 (2018: 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.

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 FECs 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 valued at the net asset value adjusted by 30.00%. This adjustment is not subject to sensitivity. The adjusted net asset value of the shares is based on SDRs. No active market exists for these shares. Refer to note 11 for more detail.

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

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

31. FAIR VALUE HIERARCHY DISCLOSURES continued

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
GROUP 2019				
Items measured at fair value				
Non-financial assets				
Property, plant and equipment	–	–	136 838	136 838
Financial assets				
SA government bonds	8 010 323	–	–	8 010 323
Equity investment in BIS[1]	–	–	4 333 257	4 333 257
FEC assets	–	216 094	–	216 094
Investments	11 070 414	5 778 091	–	16 348 505
Gold and foreign exchange	423 383 351	292 017 400	–	715 400 751
Gold coin and bullion	75 692 246	–	–	75 692 246
Money- and capital-market instruments and deposits	–	122 860 235	–	122 860 235
Medium-term investments	305 013 540	108 282 079	–	413 295 619
Portfolio investments	42 677 565	60 816 489	–	103 494 054
Securities lending asset	–	58 597	–	58 597
Financial liabilities				
FEC liabilities	–	117 569	–	117 569
Foreign deposits[2]	–	122 558 637	–	122 558 637
Items measured at amortised cost				
Financial assets				
Cash and cash equivalents	36 930 483	–	–	36 930 483
Accommodation to banks	–	61 426 574	–	61 426 574
Other financial assets	–	814 822	–	814 822
Loans and advances	–	17 632 742	–	17 632 742
Financial liabilities				
Notes and coin in circulation	–	151 306 952	–	151 306 952
Deposit accounts	–	287 041 097	–	287 041 097
Other financial liabilities	–	2 197 201	–	2 197 201
SARB debentures	–	25 023	–	25 023
GFECRA	285 829 289	–	–	285 829 289

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

(2) Refer to note 1.2.1 for more details regarding the adoption of *IFRS 9*.

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

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				
SA government bonds	8 083 658	–	–	8 083 658
Equity investment in BIS[1]	–	–	450 780	450 780
FEC 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				
FEC 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[2]	–	101 955 792	–	101 955 792
Other financial liabilities	–	1 304 214	–	1 304 214
SARB debentures	–	340 406	–	340 406
GFECRA	–	193 917 028	–	193 917 028

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

(2) Refer to note 1.2.1 for more details regarding the adoption of *IFRS 9*.

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

31. FAIR VALUE HIERARCHY DISCLOSURES continued

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
SARB 2019				
Items measured at fair value				
Non-financial assets				
Property, plant and equipment	–	–	136 838	136 838
Financial assets				
SA government bonds	8 010 323	–	–	8 010 323
Equity investment in BIS[1]	–	–	4 333 257	4 333 257
FEC assets	–	216 094	–	216 094
Gold and foreign exchange	423 383 351	292 017 400	–	715 400 751
Gold coin and bullion	75 692 246	–	–	75 692 246
Money- and capital-market instruments and deposits	–	122 860 235	–	122 860 235
Medium-term investments	305 013 540	108 282 079	–	413 295 619
Portfolio investments	42 677 565	60 816 489	–	103 494 054
Securities lending asset	–	58 597	–	58 597
Financial liabilities				
FEC liabilities	–	117 569	–	117 569
Foreign deposits[2]	–	122 558 637	–	122 558 637
Items measured at amortised cost				
Financial assets				
Amounts due from subsidiaries	–	20 844	–	20 844
Accommodation to banks	–	61 426 574	–	61 426 574
Other financial assets	–	575 713	–	575 713
Loans and advances	–	56 976	–	56 976
Financial liabilities				
Notes and coin in circulation	–	151 306 952	–	151 306 952
Deposit accounts	–	216 578 919	–	216 578 919
Amounts due to subsidiaries	–	871 752	–	871 752
Other financial liabilities	–	1 343 986	–	1 343 986
SARB debentures	–	25 023	–	25 023
GFECRA	285 829 289	–	–	285 829 289

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

(2) Refer to note 1.2.1 for more details regarding the adoption of *IFRS 9*.

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

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				
SA government bonds	8 083 658	–	–	8 083 658
Equity investment in BIS[1]	–	–	450 780	450 780
FEC 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				
FEC 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[2]	–	101 955 792	–	101 955 792
Other financial liabilities	–	1 070 585	–	1 070 585
SARB debentures	–	340 406	–	340 406
GFECRA	–	193 917 028	–	193 917 028

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

(2) Refer to note 1.2.1 for more details regarding the adoption of *IFRS 9*.

Notes to the consolidated and separate financial statements continued

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32. INCOME AND EXPENSES ACCORDING TO CLASSIFICATION OF FINANCIAL INSTRUMENTS

	Total R'000	FVPL (Mandatory) R'000	FVPL (Designated) R'000	Amortised cost R'000	FVOCI R'000	SARB Act R'000
GROUP 2019						
Interest income	**11 373 769**	**621 442**	**2 611 686**	**8 140 641**	**–**	**–**
Interest expense	**(8 819 567)**	**–**	**–**	**(8 819 567)**	**–**	**–**
Fair value gains/(losses)	**8 841 454**	**(182 891)**	**9 024 345**	**–**	**–**	**–**
Dividend income related to investments held at year-end	**39 181**	**–**	**–**	**–**	**39 181**	**–**
SARB 2019						
Interest income	**6 432 252**	**621 442**	**2 031 115**	**3 779 695**	**–**	**–**
Interest expense	**(4 055 811)**	**–**	**–**	**(4 055 811)**	**–**	**–**
Fair value gains/(losses)	**8 839 459**	**(182 891)**	**9 022 350**	**–**	**–**	**–**
Dividend income related to investments held at year-end	**289 381**	**–**	**–**	**250 200**	**39 181**	**–**

	Total R'000	FVPL (Held-for-trading) R'000	FVPL (Designated) R'000	Loans and receivables R'000	Available-for-sale R'000	Other liabilities at amortised cost R'000
GROUP 2018						
Interest income	9 898 263	–	1 543 088	7 704 445	650 730	–
Interest expense	(6 126 736)	–	–	–	–	(6 126 736)
Fair value gains	1 762 421	–	3 676 521	–	–	(1 914 100)
Dividend income related to investments held at year-end	47 299	–	–	–	47 299	–
Bond revaluation reserve[1]	291 605	–	–	–	291 605	–
SARB 2018						
Interest income	5 487 601	–	944 797	3 892 074	650 730	–
Interest expense	(1 885 152)	–	–	–	–	(1 885 152)
Fair value gains	1 763 647	–	3 677 747	–	–	(1 914 100)
Dividend income related to investments held at year-end	197 499	–	–	–	197 499	–
Bond revaluation reserve[1]	291 605	–	–	–	291 605	–

(1) Refer to note 1.2.1 for more details regarding the adoption of *IFRS 9*.

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for the year ended 31 March 2019

33. COMMITMENTS AND GUARANTEES

33.1 Guarantees

R3.0 billion (2018: 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 2019 this facility had not been utilised.

In turn, R3.0 billion (2018: 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 2019 this facility had not been utilised and no loss allowances were required.

33.2 Committed liquidity facilities

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

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

On 31 March 2019 the total CLFs granted by the SARB for the period 1 January 2019 to 31 December 2019 amounted to R140.0 billion (2018: R133.0 billion), which have not yet been utilised. Commitment fees of R811.9 million (2018: R771.3 million) have been received for the period of 1 January 2019 to 31 December 2019 of which R203.0 million (2018: R192.8 million) is accounted for as income for the year ended 31 March 2019. The balance is reflected in other liabilities.

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

The available facility is limited to the lower of the facilities entered into and the available collateral after the haircut is applied. To date, residential, commercial mortgages, auto loans and asset backed securities to the value of R151.1 billion (2018: R143.8 billion) (before the haircut is applied) have been ceded to the SARB as collateral as per the individual agreements. A haircut is applied to the collateral registered with the SARB as per the contractual agreement, based on the risk associated with each class of asset registered as collateral.

33.3 VBS Mutual Bank

VBS Mutual Bank (VBS) was placed under curatorship by the SARB. The SARB undertook to guarantee retail deposits of up to R100 000 per depositor. The SARB transferred an amount of R261.0 million to Nedbank for the payment of VBS depositors. The SARB has committed funds totalling R336.0 million to the depositors of VBS of which only the R261.0 million has been claimed to date. The remaining amount could be activated by depositors up to expiry of 36 months. An impairment has been raised against the transferred amount and the SARB will continue to assess the recoverability thereof. A legal claim has been lodged against the insolvent estate of VBS, of which the timing and amount is uncertain.

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

34. RELATED PARTY INFORMATION

34.1 Investment in subsidiaries

	Authorised and issued share capital		GROUP		SARB	
	Number of shares '000	% held	**2019 R'000**	2018 R'000	**2019 R'000**	2018 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 (2018: R0.7 billion) bears no interest and has no fixed terms of repayment. No repayments were made during the year (2018: R0). 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:

Corporation for Public Deposits	**92 135**	91 396	**–**	–
South African Bank Note Company (RF) Proprietary Limited	**155 596**	(5 712)	**–**	–
South African Mint Company (RF) Proprietary Limited	**666 244**	420 777	**–**	–
Total contribution to Group profit	**913 975**	506 461	**–**	–

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

34. RELATED PARTY INFORMATION continued

34.2 Investment in associate

	Authorised and issued share capital		GROUP		SARB	
	Number of shares '000	% held	**2019 R'000**	2018 R'000	**2019 R'000**	2018 R'000
African Bank Holdings Limited						
(Carrying value)	500 000	50	**4 869 687**	4 445 784	**5 000 000**	5 000 000
Profit attributable to Group			**546 682**	423 903	**–**	–
Carrying value of investment in associate			**5 416 369**	4 869 687	**5 000 000**	5 000 000

34.3 Transactions with non-controlling interests

Prestige Bullion

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

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

Profit attributable to non-controlling interest	**437 835**	264 036	**–**	–
Accumulated non-controlling interest at year-end	**133 635**	64 160	**–**	–
Dividends paid to non-controlling interest	**368 360**	251 320	**–**	–

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	**2 044 665**	7 827 902	**17 639**	–
South African Bank Note Company (RF) Proprietary Limited	**16 305**	9 213	**3 191**	9 213
SA government	**17 575 766**	17 511 786	**–**	–
South African Mint Company (RF) Proprietary Limited	**996**	24 769	**14**	24 769
Amounts due to related parties				
Corporation for Public Deposits	**875 295**	7 536 468	**857 656**	7 536 468
South African Bank Note Company (RF) Proprietary Limited	**519 284**	206 547	**13 114**	–
SA government	**455 449 018**	362 449 431	**384 950 480**	293 992 052
GEFCRA	**285 829 289**	193 917 028	**285 829 289**	193 917 028
Deposits				
Non-interest-bearing	**41 828 902**	32 917 620	**41 756 317**	32 917 620
Interest-bearing	**127 541 422**	135 523 587	**57 157 404**	67 157 404
Other liabilities	**249 405**	91 196	**207 470**	–
South African Mint Company (RF) Proprietary Limited	**654 273**	118 869	**982**	–
South African Reserve Bank Retirement Fund	**5 575**	8 528	**–**	–

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

34. RELATED PARTY INFORMATION continued

34.5 Transactions between the SARB and its related parties

	GROUP		SARB	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Dividend received	**250 200**	150 200	**250 200**	150 200
Corporation for Public Deposits	**200**	200	**200**	200
South African Mint Company (RF) Proprietary Limited	**250 000**	150 000	**250 000**	150 000
Dividend paid	**250 200**	150 200	**–**	–
Corporation for Public Deposits	**200**	200	**–**	–
South African Mint Company (RF) Proprietary Limited	**250 000**	150 000	**–**	–
Interest received	**3 711 665**	4 168 089	**1 295**	767
African Bank Limited (equity accounted, not consolidated)	**1 145**	605	**1 145**	605
Corporation for Public Deposits	**734 232**	1 002 080	**150**	162
SA government	**2 976 288**	3 165 404	**–**	–
Interest paid	**6 129 269**	6 171 705	**665 067**	939 050
African Bank Limited (equity accounted, not consolidated)	**357**	152	**357**	152
Corporation for Public Deposits	**664 860**	939 060	**664 710**	938 898
South African Bank Note Company (RF) Proprietary Limited	**59 451**	55 732	**–**	–
SA government	**5 394 680**	5 169 473	**–**	–
South African Mint Company (RF) Proprietary Limited	**9 178**	6 630	**–**	–
South African Reserve Bank Retirement Fund	**743**	658	**–**	–
Rent received				
South African Bank Note Company (RF) Proprietary Limited	**1 200**	2 804	**–**	–
Rent paid				
South African Bank Note Company (RF) Proprietary Limited	**1 200**	2 804	**1 200**	2 804
Admin and management fees received	**36 171**	13 614	**8 111**	10 837
Corporation for Public Deposits	**3 168**	3 053	**3 168**	3 053
South African Bank Note Company (RF) Proprietary Limited	**24 973**	925	**973**	925
South African Mint Company (RF) Proprietary Limited	**4 711**	5 378	**651**	2 601
South African Reserve Bank Retirement Fund	**3 319**	4 258	**3 319**	4 258
Admin and management fees paid	**32 852**	9 356	**28 060**	2 777
Corporation for Public Deposits	**3 168**	3 053	**–**	–
South African Bank Note Company (RF) Proprietary Limited	**24 973**	925	**24 000**	–
South African Mint Company (RF) Proprietary Limited	**4 711**	5 378	**4 060**	2 777
Other income	**1 625 913**	829 255	**575**	353
African Bank Limited (equity accounted, not consolidated)	**575**	353	**575**	353
South African Bank Note Company (RF) Proprietary Limited	**1 228 186**	573 017	**–**	–
South African Mint Company (RF) Proprietary Limited	**397 152**	255 885	**–**	–
Cost of new currency	**1 625 338**	793 190	**1 625 338**	793 190
South African Bank Note Company (RF) Proprietary Limited	**1 228 186**	537 305	**1 228 186**	537 305
South African Mint Company (RF) Proprietary Limited	**397 152**	255 885	**397 152**	255 885
Recovery of foreign exchange losses				
South African Bank Note Company (RF) Proprietary Limited	**–**	35 712	**–**	35 712
Pension fund contributions				
South African Reserve Bank Retirement Fund	**251 454**	281 594	**225 678**	261 335

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

Notes to the consolidated and separate financial statements continued

for the year ended 31 March 2019

34. RELATED PARTY INFORMATION continued

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

At year-end, coin inventory to the value of R162.0 million (2018: R291.0 million) was held on behalf of the SARB.

34.7 Directors' remuneration

	GROUP		SARB	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Paid by SARB				
Executive directors: Remuneration				
Governor E L Kganyago				
Remuneration and recurring fringe benefits	**7 363**	6 994	**7 363**	6 994
Other fringe benefits	**147**	85	**147**	85
	7 510	7 079	**7 510**	7 079
Deputy governor A D Mminele				
Remuneration and recurring fringe benefits	**5 303**	5 036	**5 303**	5 036
Other fringe benefits	**60**	129	**60**	129
	5 363	5 165	**5 363**	5 165
Deputy governor F E Groepe (resigned 31 January 2019)				
Remuneration and recurring fringe benefits	**4 408**	5 036	**4 408**	5 036
Other fringe benefits	**49**	107	**49**	107
Severance (including cooling-off period payment up to 31 July 2019)	**6 325**	–	**6 325**	–
	10 782	5 143	**10 782**	5 143
Deputy governor K Naidoo				
Remuneration and recurring fringe benefits	**5 262**	4 998	**5 262**	4 998
Other fringe benefits	**2**	2	**2**	2
	5 264	5 000	**5 264**	5 000
Total remuneration of executive directors	**28 919**	22 387	**28 919**	22 387
Non-executive directors: Remuneration for services				
B W Smit	**438**	421	**438**	421
C B du Toit	**438**	421	**438**	421
D Konar (appointed 30 July 2017)	**159**	–	**159**	–
F Cachalia	**575**	560	**575**	560
G M Ralfe	**549**	520	**549**	520
M M Manyama (term ended 29 July 2017)	**–**	137	**–**	137
N Vink	**383**	389	**383**	389
R J G Barrow	**1 161**	1 123	**596**	571
R le Roux	**390**	407	**390**	407
T Ajam (term ended 5 October 2017)	**–**	227	**–**	227
T Nombembe	**500**	474	**500**	474
V J Klein (term ended 27 July 2018)	**177**	487	**177**	487
Y G Muthien (appointed 27 July 2018)	**285**	–	**285**	–
Total remuneration of non-executive directors	**5 055**	5 166	**4 490**	4 614
Total remuneration of directors	**33 974**	27 553	**33 409**	27 001

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

OPINION

We have audited the Prudential Authority (the PA) annual financial statements, set out on pages 103 to 104, which comprise the statement of financial position as at 31 March 2019, the statement of profit or loss for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies (the financial statements).

In our opinion, the financial statements of the PA for the year ended 31 March 2019 have been prepared, in all material respects, in accordance with the basis of accounting described in the PA annual financial statements and the requirements of Section 55 of the Financial Sector Regulation Act 90 of 2017 (FSR 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report.

INDEPENDENCE

We are independent of the PA in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors ("IRBA Code") and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the 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 the PA annual financial statements, which describe the basis of accounting. The financial statements are prepared for the purpose as described therein. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises Directors' Report, Statement by the Secretary of the SARB, the Report of the Audit Committee and the Financial Reporting Framework of the South African Reserve Bank Group Annual Financial Statements. The other information does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The PA directors are responsible for the preparation of the financial statements in accordance with the basis of accounting described in the PA annual financial statements and the requirements of Section 55 of the FSR Act. The PA directors are further responsible for determining that the basis of preparation is acceptable in the circumstances, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, directors are responsible for assessing the PA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the PA or to cease operations, or have no realistic alternative but to do so.

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the PA's internal control.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the PA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the PA to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, and related disclosures made by the directors.

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

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Vincent Tshikhovhokhovho

Registered Auditor
4 Lisbon Lane,
Waterfall City, Jukskei View
2090

12 June 2019

SizweNtsalubaGobodo Grant Thornton Inc.

SizweNtsalubaGobodo Grant Thornton Inc.
Director: Agnes Dire

Registered Auditor
20 Morris Street East
Woodmead
2191

12 June 2019

Prudential Authority annual financial statements

The PA is the regulator responsible for setting policy and prudential regulatory requirements and supervisor responsible for overseeing compliance with the regulatory requirements of financial institutions that provide financial products, securities services and market infrastructures in South Africa. Established on 1 April 2018 in terms of the Financial Sector Regulation Act 9 of 2017 (FSR Act), the PA is a juristic person operating within the administration of the SARB. Refer to the SARB Annual Report on the Prudential Authority which can be found at https://www.resbank.co.za/Publications/Reports/Pages/Annual-Reports.aspx for more detail.

Basis of preparation

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

Statement of financial position at 31 March 2019

		PRUDENTIAL AUTHORITY	
	Notes	**2019 R'000**	2018 R'000
Assets			
Other assets		**71 099**	–
Total assets		**71 099**	–
Liabilities			
Amounts due to insurance companies		**113**	–
Other liabilities		**111**	–
Unclaimed balances		**70 875**	–
Total liabilities		**71 099**	–

Statement of comprehensive income for the year ended 31 March 2019

Operating income		**6 455**	–
Levies	1	**–**	–
Fees	2	**6 455**	–
Penalties	3	**–**	–
Expenditure		**324 295**	–
Personnel costs	4	**207 089**	–
Operational costs	4	**117 206**	–
Amount funded by SARB	5	**317 840**	–
Net loss before taxation		**–**	–

Prudential Authority annual financial statements continued

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

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

3. **Penalties** are raised for non-compliance by persons within the regulated sector should they be found guilty of contravening a financial sector law or an enforceable undertaking accepted by the PA. The PA deducts from this total all costs incurred in making and enforcing the administrative penalty order. The remaining balance, if any, after applying this deduction is paid into the National Revenue Fund. The SARB also has a responsibility in terms of the Financial Intelligence Centre Act 38 of 2001 Act (FIC Act) to ensure that the banks and life insurance companies comply with the FIC Act. The SARB has authority in terms of the Section 45C of the FIC Act to impose administrative sanctions on these entities if and when they fail to comply with a provision, order, determination or directive made in terms of this act. The SARB issues notices with the said penalties to the relevant entities but does not account for the penalties in its financial statements as the penalties imposed are paid directly to the NRF. Total penalties issued on behalf of National Treasury in this regard amounted to R12.8 million for the year ended 31 March 2019.

4. **Personnel and operating costs** consist of only the direct costs related to the of administration the PA. Although the PA uses the various support departments of the SARB and incurs costs from these services (such as legal services, IT, risk management, compliance, internal audit, HR, international economic relations and policy, security and facilities) these costs are borne by the SARB for the year ended 31 March 2019.

	PRUDENTIAL AUTHORITY	
	2019 R'000	2018 R'000
Operating costs include:	**117 206**	–
Travel expenses (foreign and local)	**14 111**	–
Official functions	**3 207**	–
Professional fees	**92 286**	–
Training cost (foreign and local)	**3 876**	–
Membership fees	**2 000**	–
Other operating costs	**1 726**	–

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

Abbreviations

12M: 12-month

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

CPD: Corporation for Public Deposits

CPD Act: Corporation for Public Deposits Act 46 of 1984

EAD: Exposure at Default

ECL: Expected Credit Loss

FDR: Foreign Denominated Reserve

FEC: Forward Exchange Contracts

FMD: Financial Markets Department

FSR Act: Financial Sector Regulation Act 9 of 2017

FVOCI: Fair value through other comprehensive income

FVPL: Fair value through profit or loss

GEC: Governors' Executive Committee

GFECRA: Gold and Foreign Exchange Contingency Reserve Account

Group: South African Reserve Bank including its subsidiaries and associate

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

IAD: Internal Audit Department

IAS: International Accounting Standard

IAS 19: IAS 19 Employee Benefits

IAS 39: IAS 39 Financial Instruments: Recognition and Measurement

IFRIC: International Financial Reporting Interpretations Committee

IFRS: International Financial Reporting Standards

IFRS 7: IFRS 7 Financial Instruments Disclosures

IFRS 9: IFRS 9 Financial Instruments

IFRS 16: IFRS 16 Leases

IG: Investment Guidelines

IGCC: Inter-Governmental Cash Co-ordination

IMF: International Monetary Fund

Inc.: Incorporated

InsureCo: African Insurance Group Limited

IP: Investment Policy

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

I&T: information and technology

Abbreviations continued

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

LGD: Loss Given Default

MPC: Monetary Policy Committee

OCI: other comprehensive income

PA: Prudential Authority

PD: Probability of Default

PEB remeasurement reserve: Post-employment benefit remeasurement reserve

PPE revaluation reserve: Property, plant and equipment revaluation reserve

Prestige Bullion: Prestige Bullion (RF) Proprietary Limited

Rand Refinery: Rand Refinery Proprietary Limited

Repo: Sale and repurchase agreements

Repo rate: repurchase rate

Reserves: Gold and foreign exchange reserves

Resmanco: Reserves Management Committee

RF: Ring Fenced

RMC: Risk Management Committee

SA government: South African government

SAA: Strategic Asset Allocation

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

SARB: South African Reserve Bank

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

SDR: Special Drawing Rights

SICR: Significant increase in credit risk

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

SPPI: solely payments of principal and interest

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South African Reserve Bank

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