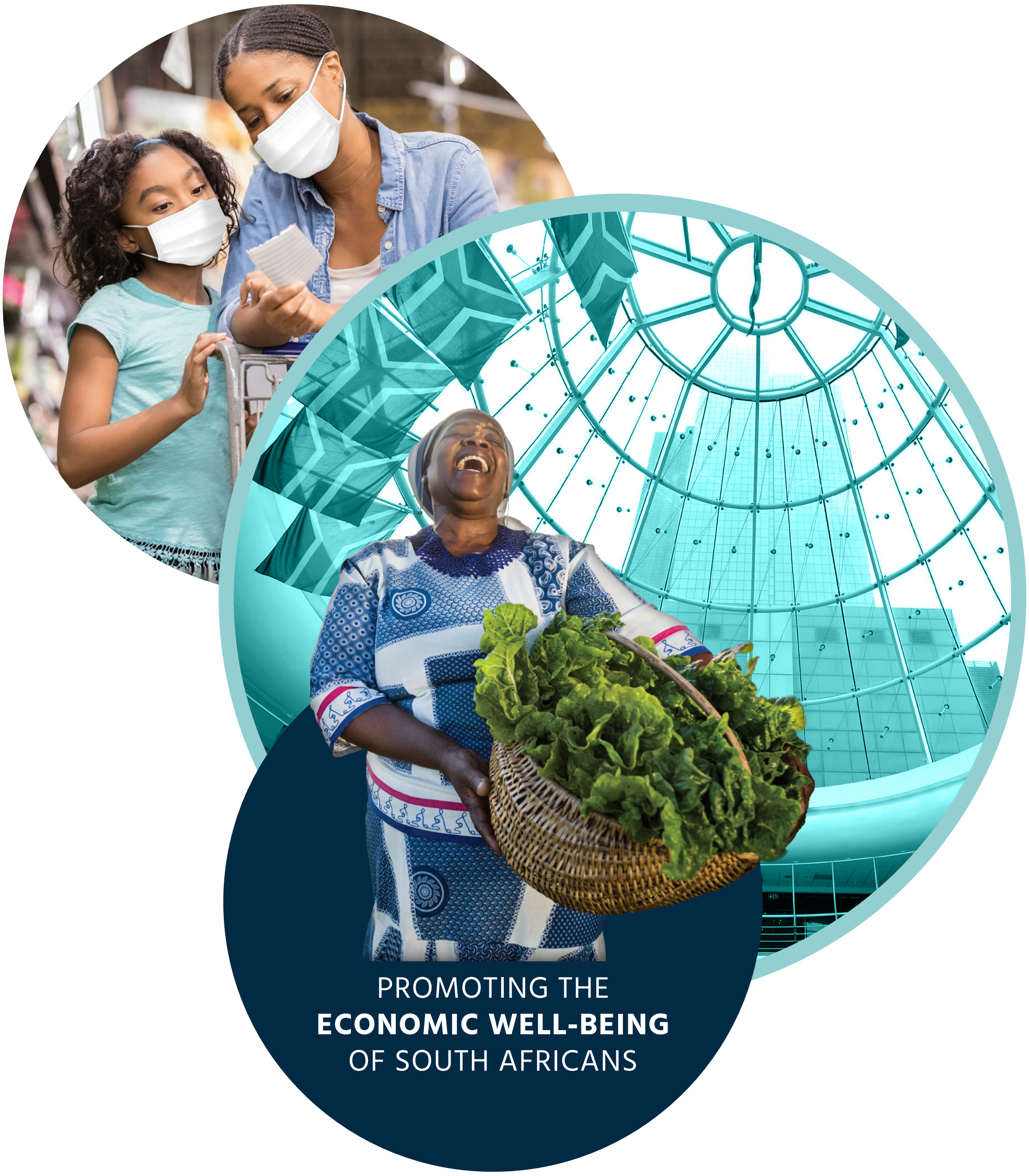
SOUTH AFRICAN RESERVE BANK

GROUP ANNUAL FINANCIAL STATEMENTS 2019/20



South African Reserve Bank

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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 2020

INTRODUCTION

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

The South African Reserve Bank 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.

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

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

The 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 (the Board) and its committees, as well as of executive management meetings.

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

NATURE OF BUSINESS

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

In exceptional circumstances, as part of its central banking functions, the SARB may act as 'lender of last resort' or provide assistance of a similar nature, to financial institutions in difficulty to prevent a loss of confidence spreading through the financial system as a whole. In some cases, confidence can best be sustained if the SARB's support is disclosed only when conditions giving rise to potentially systemic disturbance have improved. Accordingly, although the financial effects of such operations will be included in the financial statements in the year in which they occur, these financial statements may not explicitly identify the existence of such support. However, 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 Corporation for Public Deposits (CPD), which receives and invests call deposits from the SA government and public entities.
- » The South African Bank Note Company (RF) Proprietary Limited (SABN), which produces notes.
- » The South African Mint Company (RF) Proprietary Limited (South African Mint), including its subsidiary, Prestige Bullion (RF) Proprietary Limited (Prestige Bullion), which produce circulation, bullion and collectable coins.

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

The SARB issued a guarantee in favour of the CPD of R3.45 billion for all amounts required by it for the due performance of its obligations under the Corporation of Public Deposits Act 46 of 1984 (CPD Act).

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 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 covers the SARB's achievements against its strategic objectives. Refer to pages 19 to 33 of the annual report.

FINANCIAL RESULTS

The prevailing low interest rate environment in major global markets resulted in decreased yields, which had a positive impact on the valuation of the SARB's gold and foreign reserves. This was amplified by the significant depreciation of the rand against major currencies.

DIRECTORS' REPORT continued

for the year ended 31 March 2020

The net investment income of the SARB, derived mainly from foreign investments and accommodation to banks, increased by R3.1 billion to R14.3 billion (2019: R5.8 billion increase to R11.2 billion). Operating costs increased by R1.1 billion to R7.6 billion (2019: R1.8 billion to R6.5 billion), mainly attributable to an impairment loss on the investment in the associate offset by a decrease in the cost of new notes. The net result of these factors was a profit after taxation of R6.4 billion (2019: R4.6 billion) for the year ended 31 March 2020.

The South African Mint (including Prestige Bullion) made a profit after taxation of R0.9 billion (2019: R0.7 billion) attributable to the Group and declared a dividend of R1.4 billion (2019: R0.3 billion) to the SARB. Refer to note 34 for further detail.

SABN made a profit after taxation of R0.1 billion (2019: R0.2 billion) attributable to the Group. Refer to note 34 for further detail.

The CPD incurred a loss after taxation of R2.8 billion (2019: R92.1 million profit). For the year ended 31 March 2020, an amount of zero (2019: R41.9 million) was due to SA government in accordance with the CPD Act. Refer to note 34 for further detail.

ABHL made a profit after taxation of R0.3 billion (2019: R0.5 billion) attributable to the Group. An impairment loss of R2.2 billion attributable to the Group (SARB: R1.5 billion) was recognised during the year (2019: none). Refer to note 34 for further detail.

FINANCIAL POSITION

The SARB's total assets increased by R264.1 billion to R1 063.1 billion (2019: 120.5 billion increase to R799.0 billion), largely as a result of increases in gold and foreign exchange reserves of R216.6 billion and accommodation to banks of R44.7 billion.

The total assets of the South African Mint (including Prestige Bullion) decreased by R0.6 billion to R2.1 billion (2019: R1.1 billion increase to R2.8 billion).

SABN's total assets increased by R0.2 billion to R2.3 billion (2019: R0.3 billion increase to R2.1 billion).

The CPD's total assets decreased by R2.0 billion to R69.8 billion (2019: R3.0 billion increase to R71.8 billion), largely as a result of a decrease in investments of R9.5 billion, offset by an increase in loans and advances of R7.8 billion.

The total liabilities of the SARB increased by R257.3 billion to R1 039.2 billion (2019: R112.8 billion increase to R781.9 billion) 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 R150.2 billion, deposit accounts of R58.2 billion and foreign deposits of R25.6 billion.

The total liabilities of the South African Mint (including Prestige Bullion) decreased by R0.2 billion to R0.8 billion (2019: R0.6 billion increase to R0.9 billion).

SABN's total liabilities of R0.5 billion remained consistent (2019: R0.1 billion increase to R0.5 billion).

The CPD's total liabilities increased by R0.8 billion to R72.4 billion (2019: R2.9 billion increase to R71.7 billion), largely as a result of an increase in deposits of R1.4 billion, offset by amounts due to Group companies of R0.6 billion.

The contingency reserve increased by R6.1 billion (2019: R5.0 billion) due to the profit after taxation achieved for the year.

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

IMPACT OF THE COVID-19 PANDEMIC

The impact of the coronavirus disease 2019 (COVID-19 pandemic) is likely to have a lasting and detrimental effect on the economy and has had a significant impact on the SARB's functions and operations. The SA government declared a national state of disaster in March 2020 resulting in a national lockdown. In response to the lockdown, the SARB instructed the majority of its staff to work from home to mitigate the risk of contagion among its employees. The scale and duration of the pandemic is uncertain and continuously changing. The main risks arising as a result, and the measures taken by the SARB to mitigate these risks, include:

- A sudden increase in uncertainty among employees due to pandemic-related regulations and new ways of working. A Joint Operations Centre was established to provide critical support and directives aligned to the South African Department of Health COVID-19 Guidelines. This ensured the business continuity of the SARB.
- A significant increase in demand for personal protective equipment and information and communications technology equipment to support remote working. The SARB reacted swiftly to meet all requirements.
- Remote working is likely to remain the prominent way of performing business tasks for the foreseeable future increasing cyber and information security risks. The SARB enhanced its cybersecurity measures using various technologies while rolling out remote working capabilities. This included policy and procedure development, security assessments, security design work and the roll-out of training and targeted awareness initiatives, all at a rapid pace. The SARB is actively changing its monitoring and defence approaches. The transforming cyber landscape has led to revised focus areas for the cyber and information security strategy. The SARB will continue to implement additional security measures to address any potential security threats.

DIRECTORS' REPORT continued

for the year ended 31 March 2020

- A slowing down of some of the SARB's operations to varying degrees, particularly projects that depend on external service providers. The SARB has ensured that all critical functions and activities continue to operate, with none having been disrupted to date.

South Africa has a strong and resilient banking system with adequate levels of capital and significant liquidity buffers to manage the crisis. The Basel framework, around which bank regulations are structured, has built-in capital and liquidity buffers for banks to draw on during times of financial stress.

However, the COVID-19 pandemic created observed liquidity strains in various funding markets, which necessitated a review of the money market liquidity management strategy. Therefore, in addition to the measures taken by the SA government to contain the impact of the COVID-19 pandemic, the SARB has deployed monetary and financial stability policy tools to further mitigate the COVID-19 pandemic's impact on the South African economy. The following monetary and financial stability policy tools have been implemented:

Monetary policy

- The Monetary Policy Committee (MPC) reduced the repurchase (repo) rate by 100 basis points (bps) during March 2020, 100 bps during April 2020 and a further 50 bps during May 2020, in response to increased risk related to the global and domestic economic outlook. The MPC continues to monitor the situation.

Financial stability policy

Changes to the money market liquidity management strategy include:

- Implementation of an Intraday Overnight Supplementary Repurchase Operation (IOSRO).
- Adjustment of the standing facility borrowing rate, the rate at which the SARB absorbs liquidity, from repo rate less 100 bps to repo rate less 200 bps.
- Adjustment of the standing facility lending rate, the rate at which the SARB provides liquidity to commercial banks, from repo rate plus 100 bps to repo rate.
- Offering the main refinancing operations for periods of seven days to longer-term maturities of up to 12 months.
- The purchase of SA government bonds from the secondary market.

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

DIVIDENDS

The SARB Act permits the SARB to declare dividends from its accumulated profits. As per the SARB Act, a total dividend at the rate of 10% per annum on the paid-up share capital of the SARB was paid as follows:

- An interim dividend of five cents per share paid to shareholders on 25 October 2019.
- The final dividend, also of five cents per share, paid on 22 May 2020.

The total dividend paid for the financial year was R0.2 million (2018/19: R0.2 million).

DIRECTORS

The composition of the Board at 31 March 2020 is reported on pages 36 to 39 of the annual report.

At the annual Ordinary General Meeting (AGM) held on 26 July 2019, the terms of office of C B (Charlotte) du Toit, B W (Ben) Smit and N (Nicholas) Vink expired. Professor Smit, having served three terms, was not available for re-election. Dr du Toit and Professor Vink were re-elected to each serve a further three-year term and have knowledge and skills in the industry and agriculture sectors respectively.

At the 2019 AGM, shareholders elected Z (Zoaib) Hoosen, who has knowledge and skills in the industry sector, with information and technology skills to serve a three-year term as a non-executive director.

The terms of office of R J G (Rob) Barrow, R (Rochelle) le Roux and G M (Gary) Ralfe as shareholder-elected non-executive directors will expire the day after the 2020 AGM. As all three have served three terms as non-executive directors, they are not eligible for re-election.

After serving two full terms as Deputy Governor, A D (Daniel) Mminele retired on 1 July 2019 and did not make himself available for reappointment.

R (Rashad) Cassim and N (Nomfundo) Tshazibana were appointed Deputy Governors by the President of the Republic of South Africa with effect from 1 August 2019.

The first term of office as Governor of E L (Lesetja) Kganyago expired on 8 November 2019 and he was reappointed by the President of the Republic of South Africa to serve a second term with effect from 9 November 2019.

The first term of office as Deputy Governor of K (Kuben) Naidoo expired on 31 March 2020 and he was reappointed by the President of the Republic of South Africa to serve a second term with effect from 1 April 2020.

DIRECTORS' REPORT continued

for the year ended 31 March 2020

At 31 March 2020 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 on page 89.

EVENTS AFTER REPORTING DATE

The COVID-19 pandemic has had a significant impact on the SARB's operations but limited impact on the 2019/20 financial results. Refer to note 28 for more detail and the significant items.

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 2020 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 2020, have been completed and are up to date.

S L (Sheenagh) Reynolds
Secretary of the SARB

12 June 2020

REPORT OF THE AUDIT COMMITTEE

for the year ended 31 March 2020

The Audit Committee is a committee of the Board. All its members, including the Chairperson, are independent non-executive directors. The qualifications and experience of the Audit Committee members can be found in the governance section of the annual report on pages 38 to 39. 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, including its audit responsibilities for the Prudential Authority.

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 achievement of objectives;
» economy and efficiency of operations; and
» the safeguarding of assets.

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

The Audit Committee considered, and is satisfied with, the expertise and experience of the 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 CA approach to be adequate and supportive of achieving effective assurance activities across the SARB Group.

FINANCIAL STATEMENTS

After reviewing the financial statements of the SARB and the associated external auditors' report, the Audit Committee recommended their approval to the Board.

INTERNAL AUDIT

The Audit Committee reviewed and approved the Internal Audit Charter, which defines the purpose, authority and responsibility of the internal audit function. The committee also approved the annual internal audit plan, and 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 SARB's internal control environment. The Chief Internal Auditor 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 the reporting of 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 executive management and relevant departments.

REPORT OF THE AUDIT COMMITTEE continued

for the year ended 31 March 2020

INFORMATION AND TECHNOLOGY

The Audit Committee is satisfied with the SARB's information and technology (I&T) capability and that its I&T controls are appropriate to support the integrity of financial reporting. This is based on the committee's continuous review of reports from I&T management and 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 with the SARB's procedures to receive, retain and resolve complaints regarding accounting, internal controls or auditing matters, including for confidential and anonymous submissions.

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 the SA government, and have therefore not been accounted for in profit or loss, as required by *International Accounting Standard (IAS) 21 The Effects of Changes in Foreign Exchange Rates*; and
   b. gold is valued in terms of section 25 of the SARB Act at the statutory gold price. Gold has been recognised as a financial asset of the SARB.

PRESENTATION

In the financial statements,

1. not all information as required by *IFRS 7* is disclosed.

   This relates specifically to:
   a. market risk for all financial assets (foreign and local): The sensitivity analysis for each type of market risk to which the SARB is exposed at the reporting date, showing how profit or loss and equity/other comprehensive income (OCI) would have been affected by changes in the relevant risk variables that were reasonably possible at that date;
   b. credit risk for foreign financial assets: The credit quality per counterparty (issuer) and per country, the historical information about the counterparty default rates, and instruments per counterparty; and
   c. credit risk for local financial assets: The credit quality per counterparty (issuer) and instrument class, the historical information about the counterparty default rates and a breakdown of instruments per counterparty.

CENTRAL BANKING

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

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

OPINION

We have audited the consolidated and separate financial statements of the South African Reserve Bank (the SARB) and its subsidiaries (together the Group), set out on pages 10 to 89, which comprise the consolidated and separate statement of financial position as at 31 March 2020, 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.

In our opinion, the consolidated and separate financial statements of the Group and the SARB for the year ended 31 March 2020 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We are independent of the Group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

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 information included in the document titled "South African Reserve Bank Group Annual Financial Statements 2019/2020", which includes the Directors' Report, the Statement by the Secretary of the SARB and the Report of the Audit Committee. 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.

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

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.

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

22 June 2020

SizweNtsalubaGobodo Grant Thornton Inc.

SizweNtsalubaGobodo Grant Thornton Inc
Director: Pravesh Hiralall

Registered Auditor
20 Morris Street East
Woodmead
2191

22 June 2020

CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION

at 31 March 2020

	Notes	GROUP 2020 R'000	GROUP 2019 R'000	SARB 2020 R'000	SARB 2019 R'000
Assets					
Cash and cash equivalents	2	**20 536 596**	36 930 483	**–**	–
Amounts due by Group companies	34.4	**–**	–	**66**	20 844
Accommodation to banks	3	**106 129 456**	61 426 574	**106 129 456**	61 426 574
Investments	4	**7 369 300**	16 848 505	**–**	–
Other assets	5	**1 519 509**	1 523 919	**1 441 023**	1 266 827
Gold and foreign exchange	6	**931 979 812**	715 400 751	**931 979 812**	715 400 751
Inventories	7	**1 119 526**	1 252 739	**4 951**	5 315
Forward exchange contract assets	8	**1 802 777**	216 094	**1 802 777**	216 094
Loans and advances	9	**25 468 058**	17 632 742	**54 197**	56 976
Current taxation prepaid	24	**306**	1 418	**–**	–
South African government bonds	10	**9 236 468**	8 010 323	**9 236 468**	8 010 323
Equity investment in Bank for International Settlements	11	**5 635 768**	4 333 257	**5 635 768**	4 333 257
Investment in subsidiaries	34.1	**–**	–	**1 011 000**	1 011 000
Investment in associate	34.2	**3 467 000**	5 416 369	**3 467 000**	5 000 000
Property, plant and equipment	12	**2 963 378**	3 118 369	**1 379 375**	1 550 303
Intangible assets	13	**971 212**	630 871	**930 241**	583 538
Deferred taxation assets	14	**–**	97 100	**–**	97 100
Total assets		**1 118 199 166**	872 839 514	**1 063 072 134**	798 978 902
Liabilities					
Notes and coin in circulation	15	**155 544 239**	151 306 952	**155 544 239**	151 306 952
Deposit accounts	16	**346 627 283**	287 041 097	**274 779 698**	216 578 919
Amounts due to Group companies	34.4	**–**	–	**17 320 772**	871 752
Foreign deposits	17	**148 198 491**	122 558 637	**148 198 491**	122 558 637
Other liabilities	18	**4 487 619**	2 955 492	**3 759 160**	2 014 459
South African Reserve Bank debentures	19	**–**	25 023	**–**	25 023
Forward exchange contract liabilities	8	**99 308**	117 569	**99 308**	117 569
Current taxation payable	24	**1 014 053**	125 721	**994 754**	107 919
Deferred taxation liabilities	14	**523 692**	114 916	**368 209**	–
Post-employment benefits	20	**2 316 586**	2 710 236	**2 131 957**	2 505 724
Gold and Foreign Exchange Contingency Reserve Account	21	**436 062 044**	285 829 289	**436 062 044**	285 829 289
Total liabilities		**1 094 873 315**	852 784 932	**1 039 258 632**	781 916 243
Capital and reserves					
Share capital	22	**2 000**	2 000	**2 000**	2 000
Accumulated (loss)/profit		**(689 335)**	2 693 732	**–**	–
Statutory reserve		**450 138**	418 216	**450 138**	418 216
Contingency reserve		**20 084 429**	14 169 309	**20 084 429**	14 019 309
Bank for International Settlement revaluation reserve		**2 795 310**	2 548 730	**2 795 310**	2 548 730
Property plant and equipment revaluation reserve		**79 561**	86 948	**79 561**	86 948
Post-employment benefit remeasurement reserve		**441 278**	2 012	**402 064**	(12 544)
Non-controlling interest		**162 470**	133 635	**–**	–
Total capital and reserves		**23 325 851**	20 054 582	**23 813 502**	17 062 659
Total liabilities, capital and reserves		**1 118 199 166**	872 839 514	**1 063 072 134**	798 978 902

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

for the year ended 31 March 2020

		GROUP		SARB	
	Notes	**2020 R'000**	2019 R'000	**2020 R'000**	2019 R'000
Interest income	32	**7 859 107**	8 140 641	**3 720 604**	3 779 695
Interest income from fair value items	32	**3 461 772**	3 233 128	**2 548 625**	2 652 557
Interest expense	32	**(10 108 491)**	(8 819 567)	**(5 367 919)**	(4 055 811)
Net interest income		**1 212 388**	2 554 202	**901 310**	2 376 441
Fair value gains	32	**12 735 806**	8 841 454	**13 366 431**	8 839 459
Dividend income	32	**41 226**	39 181	**1 441 426**	289 381
Operating income		**5 233 778**	4 374 621	**1 168 461**	1 323 476
Total income	23.1	**19 223 198**	15 809 458	**16 877 628**	12 828 757
Credit impairment losses	23.2	**(2 315 341)**	–	**–**	–
Operating costs	23.3	**(7 880 302)**	(7 866 570)	**(6 044 873)**	(6 477 668)
Share of net profit of associate accounted for using the equity method	34.2	**280 463**	546 682	**–**	–
Impairment loss on investment in associate	34.2	**(2 229 832)**	–	**(1 533 000)**	–
Profit before taxation		**7 078 186**	8 489 570	**9 299 755**	6 351 089
Taxation	24	**(3 577 481)**	(2 230 637)	**(2 915 218)**	(1 740 446)
Profit for the year		**3 500 705**	6 258 933	**6 384 537**	4 610 643
Attributable to:					
The parent		**2 851 470**	5 821 098		
Non-controlling interest	34.3	**649 235**	437 835		
		3 500 705	6 258 933		
Other comprehensive income (net of taxation)					
Items that will not be reclassified to profit or loss					
Remeasurement of post-employment benefits	20	**439 266**	747 927	**414 608**	719 795
Revaluation adjustments of property, plant and equipment	12	**(7 387)**	6 143	**(7 387)**	6 143
Net gains on investments in equity instruments designated at fair value through other comprehensive income	11	**246 580**	100 043	**246 580**	100 043
Total comprehensive income for the year (net of taxation)		**4 179 164**	7 113 046	**7 038 338**	5 436 624
Attributable to:					
The parent		**3 529 929**	6 675 211		
Non-controlling interest		**649 235**	437 835		
Total comprehensive income		**4 179 164**	7 113 046		

CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS

for the year ended 31 March 2020

		GROUP		SARB	
	Notes	**2020 R'000**	2019 R'000	**2020 R'000**	2019 R'000
Cash flows (utilised by)/generated from operating activities					
Cash (utilised by)/generated from operating activities	26	**(19 007 236)**	13 514 789	**4 155 382**	2 644 547
Interest received[1]		**7 859 107**	8 140 641	**3 720 604**	3 779 695
Interest paid[1]		**(10 108 491)**	(8 819 567)	**(5 367 919)**	(4 055 811)
Taxation received	24	**1 121**	5 128	**–**	–
Taxation paid	24	**(2 423 120)**	(2 201 140)	**(1 793 355)**	(1 784 466)
Dividends paid[2]	25 & 34	**(620 600)**	(368 560)	**(200)**	(200)
Transfer to SA government[2]		**(249 405)**	(91 196)	**(207 470)**	–
Net cash flows (utilised by)/generated from operating activities		**(24 548 624)**	10 180 095	**507 042**	583 765
Net cash flows generated from/(utilised by) investing activities		**8 154 737**	(11 809 191)	**(507 042)**	(583 765)
Purchase of property, plant and equipment	12	**(250 061)**	(622 789)	**(68 807)**	(423 633)
Proceeds on disposal of property, plant and equipment		**3 810**	28 727	**1 898**	26 253
Purchase of intangible assets	13	**(447 592)**	(202 238)	**(440 133)**	(186 385)
Net disposal/(acquisition) of investments		**8 848 580**	(11 012 891)	**–**	–
Net (decrease) in cash and cash equivalents		**(16 393 887)**	(1 629 096)	**–**	–
Cash and cash equivalents at the beginning of the year		**36 930 483**	38 559 579	**–**	–
Cash and cash equivalents at the end of the year		**20 536 596**	36 930 483	**–**	–

(1) Comparative figures have been amended as part of the enhancement to the financial statements disclosure.

(2) Further detail is provided in the statement of changes in equity.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY: GROUP

for the year ended 31 March 2020

	Share capital R'000	Accumulated profit/(loss) R'000	Statutory reserve R'000	Contingency reserve R'000	BIS revaluation reserve R'000	PPE revaluation reserve R'000	PEB remeasurement reserve R'000	Total R'000	Non-controlling interest R'000	Total R'000
Balance at 31 March 2018	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**
Total comprehensive income for the year	**–**	**2 851 470**	**–**	**–**	**246 580**	**(7 387)**	**439 266**	**3 529 929**	**649 235**	**4 179 164**
Profit for the year	**–**	**2 851 470**	**–**	**–**	**–**	**–**	**–**	**2 851 470**	**649 235**	**3 500 705**
Remeasurement of PEB	**–**	**–**	**–**	**–**	**–**	**–**	**439 266**	**439 266**	**–**	**439 266**
Revaluation of PPE	**–**	**–**	**–**	**–**	**–**	**(7 387)**	**–**	**(7 387)**	**–**	**(7 387)**
Net gains on investments in equity instruments designated at FVOCI	**–**	**–**	**–**	**–**	**246 580**	**–**	**–**	**246 580**	**–**	**246 580**
Dividends paid	**–**	**(200)**	**–**	**–**	**–**	**–**	**–**	**(200)**	**(620 400)**	**(620 600)**
Transfer (from)/to reserves	**–**	**(5 947 042)**	**31 922**	**5 915 120**	**–**	**–**	**–**	**–**	**–**	**–**
Transfer to SA government	**–**	**(287 295)**	**–**	**–**	**–**	**–**	**–**	**(287 295)**	**–**	**(287 295)**
Balance at 31 March 2020	**2 000**	**(689 335)**	**450 138**	**20 084 429**	**2 795 310**	**79 561**	**441 278**	**23 163 381**	**162 470**	**23 325 851**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY: GROUP continued

for the year ended 31 March 2020

EXPLANATORY NOTES

Statutory reserve

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

Contingency reserve

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

Bank for International Settlements (BIS) revaluation reserve

In the 2018/19 financial year, the Group applied *IFRS 9, and IFRS 9* removed 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/losses on the revaluation of the BIS shares are recognised in OCI.

Property, plant and equipment (PPE) revaluation reserve

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

Post-employment benefit (PEB) remeasurement reserve

Actuarial gains and losses relating to the remeasurement of the post-employment benefits, and arising from experience adjustments and changes in actuarial assumptions, are charged or credited to 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 2020 an amount of R287.3 million (2019: R207.5 million) was due to the SA government by the SARB.

In terms of section 15 of the CPD Act, the balance of net profits after transfers to reserves and payment of dividends has to be paid to SA government. For the year ended 31 March 2020 an amount of zero (2019: R41.9 million) was due to SA government by the CPD.

SEPARATE STATEMENT OF CHANGES IN EQUITY: SARB

for the year ended 31 March 2020

	Share capital R'000	Accumulated profit R'000	Statutory reserve R'000	Contingency reserve R'000	BIS revaluation reserve R'000	PPE revaluation reserve R'000	PEB remeasure-ment reserve R'000	Total R'000
Balance at 31 March 2018	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**
Total comprehensive income for the year	**–**	**6 384 537**	**–**	**–**	**246 580**	**(7 387)**	**414 608**	**7 038 338**
Profit for the year	**–**	**6 384 537**	**–**	**–**	**–**	**–**	**–**	**6 384 537**
Remeasurement of PEB	**–**	**–**	**–**	**–**	**–**	**–**	**414 608**	**414 608**
Revaluation of PPE	**–**	**–**	**–**	**–**	**–**	**(7 387)**	**–**	**(7 387)**
Net gains on investments in equity instruments designated at FVOCI	**–**	**–**	**–**	**–**	**246 580**	**–**	**–**	**246 580**
Dividends paid	**–**	**(200)**	**–**	**–**	**–**	**–**	**–**	**(200)**
Transfer (from)/to reserves	**–**	**(6 097 042)**	**31 922**	**6 065 120**	**–**	**–**	**–**	**–**
Transfer to SA government	**–**	**(287 295)**	**–**	**–**	**–**	**–**	**–**	**(287 295)**
Balance at 31 March 2020	**2 000**	**–**	**450 138**	**20 084 429**	**2 795 310**	**79 561**	**402 064**	**23 813 502**

SEPARATE STATEMENT OF CHANGES IN EQUITY: SARB continued

for the year ended 31 March 2020

EXPLANATORY NOTES

Statutory reserve

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

Contingency reserve

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

BIS revaluation reserve

In the 2018/19 financial year, the Group applied *IFRS 9,* and *IFRS 9* removed 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/losses on the revaluation of the BIS shares are recognised in OCI.

PPE revaluation reserve

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

PEB remeasurement reserve

Actuarial gains and losses relating to the remeasurement of the post-employment benefits, and arising from experience adjustments and changes in actuarial assumptions, are charged or credited to 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 2020 an amount of R287.3 million (2019: R207.5 million) was due to the SA government by the SARB.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 March 2020

1. ACCOUNTING POLICIES

1.1 Basis of preparation

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

These financial statements have been prepared on a going concern basis, in accordance with the SARB Act and the accounting policies set out in this note.

These financial statements comprise the consolidated and separate statement of financial position as at 31 March 2020, and consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of chang es in equity and consolidated and separate statement of cash flows for the year ended 31 March 2020, as well as the notes, comprising a summary of significant accounting policies and other explanatory notes.

In accordance with the Financial Sector Regulation Act 9 of 2017 (FSR Act) separate financial statements in relation to the Prudential Authority is required. The Prudential Authority financial statements are included on pages 92 to 93.

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

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

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

1.2 New standards and Interpretations

1.2.1 New and amended standards adopted by the Group

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

IFRS 16

Application of IFRS 16 Leases

The Group adopted *IFRS 16 Leases (IFRS 16)* (as issued by the International Accounting Standards Board in January 2016) with the date of initial application being 1 April 2019.

IFRS 16 replaces

- *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.*

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in the accounting policy for leases. The adoption of IFRS 16 had no material impact on the Group.

There are no other new or amended standards applicable to the Group for the financial year ended 31 March 2020.

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

A number of new standards, amendments and interpretations are effective for annual periods beginning after 1 April 2020 and have not been early adopted in preparing these financial statements. These are as follows:

Conceptual framework

The improvements to the conceptual framework include revising the definitions of an asset and liability, updating the recognition criteria for including assets and liabilities in financial statements and the following concepts have been clarified, prudence, stewardship, measurement uncertainty and substance over form. Minor amendments have also been made to various other standards.

The effective date of the new standard is for years beginning on or after January 2020. The amendment has no material impact on the Group’s accounting policies.

IAS 1 Presentation of financial statements and IAS 8 Accounting policies, changes in accounting estimates and errors on the definition of material

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved.

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

1. ACCOUNTING POLICIES continued

1.3 Group accounting

1.3.1 Subsidiaries

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

The acquisition method of accounting is used to account for subsidiaries by the Group. In the separate financial statements of the SARB, 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 on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group, with the exception of the SARB's policy on foreign currency translation (refer to note 1.6). These foreign exchange profits or losses are for the account of SA government and are thus transferred to the GFECRA in terms of sections 25 to 28 of the SARB Act.

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

1.3.2 Associates

An associate is an entity over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights.

The Group initially recognises its investment in associate at cost and subsequently accounts for its share of the post-acquisition profits or losses of the 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. In the separate financial statements of the SARB, the investment in associate is accounted for at cost less allowance for impairment losses where appropriate.

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

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

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

1.4 Financial instruments

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

1.4.1 Financial assets

1.4.1.1 Classification

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

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

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

1. ACCOUNTING POLICIES continued

1.4 Financial instruments continued

1.4.1 Financial assets continued

1.4.1.1 Classification continued

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

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

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

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

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

Amortised cost

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

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

Fair value through other comprehensive income

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

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

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

Fair value through profit or loss

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

Financial assets held at FVPL include:

Mandatory:

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

Designated:

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

Instruments measured in terms of the SARB Act

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

1. ACCOUNTING POLICIES continued

1.4 Financial instruments continued

1.4.1 Financial assets continued

1.4.1.1 Classification continued

Instruments measured in terms of the SARB Act continued

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

» gold;

» Special Drawing Rights (SDR) reserves; and

» Forward Exchange Contract (FEC) assets.

1.4.1.2 Initial recognition

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

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

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

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

» When the fair value is evidenced by a quoted price in an active market for an identical asset (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

» In all other cases, the difference is deferred, and the timing of recognition of the deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

1.4.1.3 Subsequent measurement

Equity instruments

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

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

Debt instruments

Amortised cost

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

Fair value through profit or loss

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

Fair value through other comprehensive income

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

Instruments measured in terms of the SARB Act

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

1. ACCOUNTING POLICIES continued

1.4 Financial instruments continued

1.4.1 Financial assets continued

1.4.1.4 Impairment of financial assets

The Group assesses on a forward-looking basis the ECL associated with its debt instruments carried at amortised cost, FVOCI and with the exposure arising from loan commitments. 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; and
» reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

ECL measurement

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

» A financial instrument that is not credit-impaired on initial recognition is classified in 'stage 1' and has its credit risk continuously monitored by the Group.
» If a significant increase in credit risk (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. Instruments in Stages 2 or 3 have their ECL measured on a lifetime basis.

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

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

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

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

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard are discussed in note 29.2.2.1.

1.4.1.5 Derecognition of financial assets

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

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

1.4.2 Financial liabilities

1.4.2.1 Classification

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

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

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

1. ACCOUNTING POLICIES continued

1.4 Financial instruments continued

1.4.2 Financial liabilities continued

1.4.2.1 Classification continued

Financial liabilities at amortised cost

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

Financial liabilities held at amortised cost include:

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities held at FVPL include:

- foreign deposits.

Instruments measured in terms of the SARB Act

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

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

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

1.4.2.2 Initial recognition

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

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

1.4.2.3 Subsequent recognition

Amortised cost

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

Instruments measured in terms of the SARB Act

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

Fair value through profit or loss

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

1.4.2.4 Derecognition of financial liabilities

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

1.4.3 Effective interest rate

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

1. ACCOUNTING POLICIES continued

1.4 Financial instruments continued

1.4.3 Effective interest rate continued

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

1.4.4 Offsetting of financial instruments

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

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

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

1.5 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 instruments

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

1.5.3 Local and foreign portfolio investments including securities lending portfolio investments

The fair values of portfolio investments are valued using the quoted 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. Changes in value due to foreign exchange movements are transferred to the GFECRA in accordance with the SARB Act.

1.5.6 Valuable art

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

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

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

1. ACCOUNTING POLICIES continued

1.5 Fair value continued

1.5.6 Valuable art continued

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

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

1.6 Foreign currency – Exchange gains or losses arising in entity accounts

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

1.7 Property, plant and equipment

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

Property, plant and equipment is recognised when:

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

Property, plant and equipment are initially recognised at cost.

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

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

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

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

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

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

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

1.8 Intangible assets

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

An intangible asset is recognised when:

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

1. ACCOUNTING POLICIES continued

1.8 Intangible assets continued

Purchased software and the direct costs associated with the customisation and installation thereof are capitalised. Expenditure on internally developed software is capitalised if it meets the criteria for capitalising development expenditure. Other software development expenditure is charged to profit or loss when incurred.

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

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

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

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

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

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

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

1.9 Impairment on non-financial assets

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

1. ACCOUNTING POLICIES continued

1.10 Gold

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

1.11 Taxation

The taxation expense for the period comprises current and deferred taxation. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

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

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

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

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

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

1.12 Employee benefits

1.12.1 Pension and retirement funds

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

1.12.1.1 Defined benefit plans

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

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

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

1. ACCOUNTING POLICIES continued

1.12 Employee benefits continued

1.12.1 Pension and retirement funds continued

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

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

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

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

1.14 Inventories

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

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

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

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

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

1. ACCOUNTING POLICIES continued

1.15 Cost of new currency

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

1.16 Cash and cash equivalents

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

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

1.17 Provisions

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

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

1.18 Total income

1.18.1 Net interest income

Interest income and interest expenses are recognised over time taking account of the principal outstanding and the effective interest rate over the period to maturity. Interest income and interest expenses 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 expenses 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.

1.18.2 Other income

Revenue is measured at the consideration specified in the contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue either at a point in time or over time, dependent on when the performance obligation has been met.

Other income for the Group 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. These services are provided either at a point in time or over time and the associated revenue recognised in accordance with how the performance obligation has been met.

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 at the point that 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 and earns revenue in the form of bank charges. The banking services are provided over time and National Treasury simultaneously receives the economic benefits provided. The revenue, which comprise of local and foreign payment charges, is therefore recognised over time.

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

1.19 Dividends paid

In terms of the SARB Act, the SARB is permitted to declare dividends from its accumulated profits. This is capped at a total dividend rate of 10% per annum on the paid-up share capital of the SARB.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

1. ACCOUNTING POLICIES continued

1.20 Related parties

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

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

1.21 Share capital

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

1.22 Key accounting estimates and judgements

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

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

1.22.1 Fair value of financial instruments

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

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

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

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

1.22.2 Measurement of expected credit loss allowance

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

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

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

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

1.22.3 Fair value of unlisted investments

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

2. CASH AND CASH EQUIVALENTS

	GROUP		SARB	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Bank and cash balances	**20 042 428**	36 930 483	**–**	–
Short-term South African money market investments	**494 168**	–	**–**	–
Total cash and cash equivalents	**20 536 596**	36 930 483	**–**	–

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

	GROUP 2020 R'000	GROUP 2019 R'000	SARB 2020 R'000	SARB 2019 R'000
Within 1 month	**20 536 596**	14 092 040	**–**	–
Between 1 and 3 months	**–**	22 838 443	**–**	–
Total financial assets	**20 536 596**	36 930 483	**–**	–

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

	GROUP 2020 R'000	GROUP 2019 R'000	SARB 2020 R'000	SARB 2019 R'000
Fair value of repo agreements	**494 168**	–	**–**	–
Fair value of collateral received	**528 477**	–	**–**	–
Fair value of collateral permitted to sell or repledge at the reporting date	**528 477**	–	**–**	–
Collateral cover	**106.94%**	–	**–**	–
Maturity date	**2 April 2020**	–	**–**	–

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

3. ACCOMMODATION TO BANKS

	GROUP		SARB	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Repo agreements	**101 100 000**	56 000 000	**101 100 000**	56 000 000
Standing facility	**4 957 668**	5 395 506	**4 957 668**	5 395 506
Accrued interest	**71 788**	31 068	**71 788**	31 068
Total accommodation to banks	**106 129 456**	61 426 574	**106 129 456**	61 426 574

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

Repurchase agreements

The SARB revised its money market liquidity management strategy reducing the targeted R56.0 billion of repo agreements to R45.0 billion and introduced 3-month IOSRO of R20.0 billion. In addition, commercial banks utilised R36.1 billion of supplementary repo agreements as at 31 March 2020.

Standard repo agreements yield interest at the repo rate[1] of the SARB (2019: repo rate)	**5.25%**	6.75%	**5.25%**	6.75%
90-day repo agreements yield interest at repo plus 0.30%	**5.55%**	–	**5.55%**	–

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

Fair value of collateral received	**105 300 768**	56 088 214	**105 300 768**	56 088 214
Fair value of collateral permitted to sell or repledge at the reporting date	**105 300 768**	56 088 214	**105 300 768**	56 088 214
Collateral cover	**104.08%**	100.10%	**104.08%**	100.10%

The collateral received consists of various SA government bonds and Treasury Bills with maturities ranging from eight days to 27 years.

At the reporting date, the SARB accepted certain counterparty bills as part of its collateral pool for its refinancing operations as they were deemed High Quality Liquid Assets (HQLA). As at 31 March 2020, the SARB's total collateral exposure to the counterparty bills was R470.0 million.

At the reporting date, the counterparty bills pledged as collateral for the repo facility was impaired by R207.0 million. The SARB took a decision to temporarily suspend the counterparty bills as eligible collateral in its repo operations. During the year under review, no defaults were experienced (2019: no defaults).[2] Refer to note 28 for events that occurred subsequent to the reporting date.

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

The SARB has the ability to sell or repledge these securities in the event of default.

Standing facility

The standing facility lending rate, the rate at which the SARB provides liquidity to commercial banks, was adjusted from repo rate plus 100 basis points to repo rate.

The standing facility yields interest at the repo rate[1] of the SARB (2019: repo rate plus 1.00%)	**5.25%**	7.75%	**5.25%**	7.75%

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

Fair value of collateral received	**5 974 825**	5 395 506	**5 974 825**	5 395 506
Fair value of collateral permitted to sell or repledge at the reporting date	**5 974 825**	5 395 506	**5 974 825**	5 395 506
Collateral cover	**120.52%**	100.00%	**120.52%**	100.00%

The collateral received consists of various SA government bonds and Treasury Bills with maturities ranging from 57 days to 26 years.

At the reporting date, none of the collateralised advances were past due or impaired. During the year under review, no defaults were experienced (2019: no defaults).

The counterparties are exposed to interest rate risk[2] 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.

(1) The SARB reduced the interest rate by 1.00% effective 20 March 2020 to 5.25% to provide relief given the negative impact of the COVID-19 pandemic on the economy.

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

4. INVESTMENTS

	GROUP		SARB	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Short-term South African money market investments	**342 367**	5 778 088	**–**	–
Short-term South African fixed deposits	**7 026 933**	11 070 417	**–**	–
Total investments	**7 369 300**	16 848 505	**–**	–
Maturity structure of financial assets				
Within 1 month	**99 494**	1 856 088	**–**	–
Between 1 and 3 months	**163 390**	12 130 159	**–**	–
Between 3 and 12 months	**7 106 416**	2 862 258	**–**	–
Total financial assets	**7 369 300**	16 848 505	**–**	–
For investments that meet the definition of financial assets designated at fair value:				
Maximum exposure to credit risk	**7 369 300**	16 848 505	**–**	–

In terms of the Investment Guidelines (IG), approved by the respective Boards of the SARB's subsidiaries, all investments are placed with reputable financial institutions. The CPD utilises banking institutions that have a minimum credit rating of BBB- by at least two of the following agencies: Standard and PooR's, Fitch or Moody's. Due to a default event by a counterparty, the credit quality of the short-term SA money market investments changed. This resulted in a fair value adjustment to the carrying value at year-end. Refer to note 28 for events that occurred subsequent to the reporting date.

5. OTHER ASSETS

	GROUP 2020 R'000	GROUP 2019 R'000	SARB 2020 R'000	SARB 2019 R'000
Financial assets	**396 096**	814 822	**367 923**	575 713
Non-financial assets	**1 123 413**	709 097	**1 073 100**	691 114
Total other assets	**1 519 509**	1 523 919	**1 441 023**	1 266 827
Maturity structure of financial assets				
Within 1 month	**99 790**	522 960	**71 617**	286 794
Between 1 and 12 months	**296 306**	291 862	**296 306**	288 919
Total financial assets	**396 096**	814 822	**367 923**	575 713

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 2020

6. GOLD AND FOREIGN EXCHANGE

		GROUP		SARB	
	Notes	**2020 R'000**	2019 R'000	**2020 R'000**	2019 R'000
Gold coin and bullion		**115 360 360**	75 692 246	**115 360 360**	75 692 246
Money- and capital-market instruments and deposits		**167 408 899**	122 831 827	**167 408 899**	122 831 827
Medium-term instruments		**523 149 108**	413 295 619	**523 149 108**	413 295 619
Portfolio investments		**126 054 084**	103 494 054	**126 054 084**	103 494 054
Securities lending asset	6.3	**–**	58 597	**–**	58 597
Accrued interest		**7 361**	28 408	**7 361**	28 408
Total gold and foreign exchange		**931 979 812**	715 400 751	**931 979 812**	715 400 751

Gold coin and bullion consists of 4 029 436 fine ounces of gold at the statutory price of R28 629.40 per ounce (2019: 4 029 116 fine ounces at R18 786.31 per ounce).

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

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

6.1 Derivatives

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 2020				
FECs	**(427 474)**	**179 452**	**(606 926)**	**142 060 190**
Futures contracts	**(1 931)**	**57 888**	**(59 819)**	**11 816 758**
Interest rate swaps	**(30 201)**	**12 109**	**(42 310)**	**6 038 435**
Total derivatives	**(459 606)**	**249 449**	**(709 055)**	**159 915 383**
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

(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 2020

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:

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

6.3 Securities lending activities

	GROUP		SARB	
	2020 R'000	2019 R'000	**2020 R'000**	2019 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 R36.5 billion (2019: R30.1 billion) included in total gold and foreign exchange, carries interest at an effective rate of 0.05% (2019: 1.15%). 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	**46 435 579**	43 568 112	**46 435 579**	43 568 112
Collateral cover	**127.08%**	144.98%	**127.08%**	144.98%

At the reporting date, none of the collateralised advances were past due or impaired (2019: none). During the year under review, no defaults were experienced (2019: 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 2020

7. INVENTORIES

	Notes	GROUP 2020 R'000	GROUP 2019 R'000	SARB 2020 R'000	SARB 2019 R'000
Raw materials[1]		**384 489**	312 245	**–**	–
Work in progress[2]		**356 264**	494 046	**–**	–
Consumable stores		**73 967**	60 579	**4 951**	5 315
Maintenance spares		**120 763**	88 333	**–**	–
Finished goods[3]		**184 043**	297 536	**–**	–
Total inventories net of write-downs		**1 119 526**	1 252 739	**4 951**	5 315
Write-downs (included above)		**(14 720)**	(29 614)	**–**	–

Inventories are measured at the lower of cost and net realisable value. The cost to produce bank notes and coin is expensed as incurred and disclosed in note 23.2 under cost of currency.

(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

	Notes	GROUP 2020 R'000	GROUP 2019 R'000	SARB 2020 R'000	SARB 2019 R'000
Unrealised gains on FECs		**1 802 777**	216 094	**1 802 777**	216 094
Unrealised losses on FECs		**(99 308)**	(117 569)	**(99 308)**	(117 569)
Net unrealised gains transferred to GFECRA[4]	21	**1 703 469**	98 525	**1 703 469**	98 525

(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 R11.3 billion (2019: R29.6 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 2020						
FEC assets	**1 802 777**	**–**	**1 802 777**	**(154 691)**	**–**	**1 648 086**
FEC liabilities	**(99 308)**	**–**	**(99 308)**	**154 691**	**–**	**55 383**
Group and SARB 2019						
FEC assets	216 094	–	216 094	(61 088)	–	155 006
FEC liabilities	(117 569)	–	(117 569)	61 088	–	(56 481)

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

9. LOANS AND ADVANCES

	GROUP		SARB	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Secured foreign loan	**54 197**	56 976	**54 197**	56 976
Interest-bearing local loans	**25 413 861**	17 575 766	**–**	–
Total loans and advances	**25 468 058**	17 632 742	**54 197**	56 976

Secured foreign loan

The loan facility of R75.0 million (2019: R75.0 million) expires on 31 December 2020, if not renegotiated, and carries interest at an effective rate of 6.57% (2019: 6.66%).

As at 31 March 2020, counterparty promissory notes had been pledged as collateral against the loan facility.

Subsequent to year-end, the counterparty was downgraded, amplifying the liquidity constraints already experienced. The counterparty is engaging with various stakeholders to address the situation.

The following table presents details of collateral held:

Fair value of collateral received	**–**	81 109	**–**	81 109
Fair value of collateral permitted to sell or repledge at the reporting date	**–**	81 109	**–**	81 109
Collateral cover	**–**	142.36%	**–**	142.36%
Maturity date	**–**	29 May 2019	**–**	29 May 2019

At the reporting date, the counterparty promissory notes were impaired (2019: none). During the year under review, no defaults were experienced (2019: 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. Refer to note 29 for further disclosure on interest rate risk.

Interest-bearing local loans

The loans are advanced as part of the national government's Inter-Governmental Cash Coordination (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 5.68% (2019: 7.10%).

At the reporting date, none of the interest-bearing local loans were past due (2019: none). During the year under review, no defaults were experienced (2019: no defaults).

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

10. SOUTH AFRICAN GOVERNMENT BONDS

	GROUP		SARB	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Listed bonds: Interest-bearing	**8 736 601**	7 354 301	**8 736 601**	7 354 301
Accrued interest	**56 018**	163 871	**56 018**	163 871
Fair value adjustments	**443 849**	492 151	**443 849**	492 151
Total SA government bonds	**9 236 468**	8 010 323	**9 236 468**	8 010 323
Effective interest rate	**7.75%**	8.45%	**7.75%**	8.45%

As part of the SARB's continuous measures to manage liquidity during the COVID-19 pandemic, R1.4 billion of SA government bonds were purchased from the secondary market during March 2020. Refer to note 28 for events that occurred subsequent to the reporting date.

11. EQUITY INVESTMENT IN BANK FOR INTERNATIONAL SETTLEMENTS

	GROUP 2020	GROUP 2019	SARB 2020	SARB 2019
Opening balance	**4 333 257**	450 780	**4 333 257**	450 780
Fair value adjustments(1)	**317 758**	3 284 446	**317 758**	3 284 446
Foreign exchange movements transferred to GFECRA	**984 753**	598 031	**984 753**	598 031
Closing balance	**5 635 768**	4 333 257	**5 635 768**	4 333 257

The carrying amount that would have been recognised had the BIS shares been carried at cost would be R525.5 million (2019: R450.8 million).

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

The SARB's investment in the BIS consists of 8 612 shares (2019: 8 612), which are carried at FVOCI. The net asset value was adjusted by 30.00%. The haircut is consistent with the methodology applied by the BIS and other central banks and is not subject to sensitivity. The adjusted net asset value of the shares is based on SDR(2) of SDR 26 811 (2019: SDR 25 020).

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 2020, a movement of R984.8 million (2019: R598.0 million) was transferred to the GFECRA.

(1) The Group adopted *IFRS 9* for the first time in the 2019 financial statements, which resulted in SARB's shareholding in BIS, previously measured at cost as no active market exists for these shares, to be measured at fair value with the fair value movements recognised in OCI.

(2) 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 2020

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 2020						
Cost						
Cost at 31 March 2019	38 730	949 390	4 461 689	136 838	617 912	6 204 559
Additions	–	21 914	42 371	351	185 425	250 061
Transfers in/(out)	–	107 000	314 866	5 281	(427 147)	–
Revaluation adjustments	–	–	–	(9 519)	–	(9 519)
Disposals	–	–	(177 495)	(126)	–	(177 621)
Cost at 31 March 2020	38 730	1 078 304	4 641 431	132 825	376 190	6 267 480
Accumulated depreciation						
Accumulated depreciation at 31 March 2019	–	444 538	2 641 652	–	–	3 086 190
Charge and impairment for the year	–	28 499	347 943	–	–	376 442
Disposals	–	–	(158 530)	–	–	(158 530)
Accumulated depreciation at 31 March 2020	–	473 037	2 831 065	–	–	3 304 102
Net book value at 31 March 2020	38 730	605 267	1 810 366	132 825	376 190	2 963 378
12.2 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

(1) The carrying amount that would have been recognised had valuable art been carried at cost would be R30.3 million (2019: R24.8 million).

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

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 2020						
Cost						
Cost at 31 March 2019	**29 305**	**634 407**	**1 763 991**	**136 838**	**569 236**	**3 133 777**
Additions	**–**	**20 757**	**27 180**	**351**	**20 519**	**68 807**
Transfers in/(out)	**–**	**98 178**	**210 425**	**5 281**	**(313 884)**	**–**
Revaluation adjustments	**–**	**–**	**–**	**(9 519)**	**–**	**(9 519)**
Disposals	**–**	**–**	**(147 434)**	**(126)**	**–**	**(147 560)**
Cost at 31 March 2020	**29 305**	**753 342**	**1 854 162**	**132 825**	**275 871**	**3 045 505**
Accumulated depreciation						
Accumulated depreciation at 31 March 2019	**–**	**343 105**	**1 240 369**	**–**	**–**	**1 583 474**
Charge and impairment for the year	**–**	**22 240**	**190 528**	**–**	**–**	**212 768**
Disposals	**–**	**–**	**(130 112)**	**–**	**–**	**(130 112)**
Accumulated depreciation at 31 March 2020	**–**	**365 345**	**1 300 785**	**–**	**–**	**1 666 130**
Net book value at 31 March 2020	**29 305**	**387 997**	**553 377**	**132 825**	**275 871**	**1 379 375**
12.4 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

(1) The carrying amount that would have been recognised had valuable art been carried at cost would be R30.3 million (2019: R24.8 million).

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

13. INTANGIBLE ASSETS

	Purchased computer software R'000	Internally generated computer software R'000	Work in progress R'000	Total R'000
13.1 Group 2020				
Cost				
Cost at 31 March 2019	**1 055 357**	**–**	**179 011**	**1 234 368**
Additions	**3 707**	**–**	**443 885**	**447 592**
Transfers in/(out)	**(255 434)**	**417 995**	**(162 561)**	**–**
Disposals	**(1 541)**	**–**	**(115)**	**(1 656)**
Cost at 31 March 2020	**802 089**	**417 995**	**460 220**	**1 680 304**
Accumulated amortisation				
Accumulated amortisation at 31 March 2019	**603 497**	**–**	**–**	**603 497**
Charge and impairment for the year	**107 015**	**–**	**–**	**107 015**
Transfers in/(out)	**(156 935)**	**156 935**	**–**	**–**
Disposals	**(1 420)**	**–**	**–**	**(1 420)**
Accumulated amortisation at 31 March 2020	**552 157**	**156 935**	**–**	**709 092**
Net book value at 31 March 2020	**249 932**	**261 060**	**460 220**	**971 212**
13.2 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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

13. INTANGIBLE ASSETS continued

	Purchased computer software R'000	Internally generated computer software R'000	Work in progress R'000	Total R'000
13.3 SARB 2020				
Cost				
Cost at 31 March 2019	**946 084**	**–**	**162 419**	**1 108 503**
Additions	**3 345**	**–**	**436 788**	**440 133**
Transfers in/(out)	**(276 006)**	**417 995**	**(141 989)**	**–**
Disposals	**(1 541)**	**–**	**–**	**(1 541)**
Cost at 31 March 2020	**671 882**	**417 995**	**457 218**	**1 547 095**
Accumulated amortisation				
Accumulated amortisation at 31 March 2019	**524 965**	**–**	**–**	**524 965**
Charge and impairment for the year	**93 309**	**–**	**–**	**93 309**
Transfers in/(out)	**(156 935)**	**156 935**	**–**	**–**
Disposals	**(1 420)**	**–**	**–**	**(1 420)**
Accumulated amortisation at 31 March 2020	**459 919**	**156 935**	**–**	**616 854**
Net book value at 31 March 2020	**211 963**	**261 060**	**457 218**	**930 241**
13.4 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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

14. DEFERRED TAXATION

		GROUP		SARB	
	Notes	**2020 R'000**	2019 R'000	**2020 R'000**	2019 R'000
Balance at the beginning of the year		**(17 816)**	941 245	**97 100**	980 400
Movements during the year:					
Current year timing differences	24	**(1 800)**	13 462	**29 573**	78 283
Prior year adjustments	24	**(264 206)**	55 826	**(264 601)**	55 826
Other comprehensive income		**(239 870)**	(1 028 349)	**(230 281)**	(1 017 409)
Balance at the end of the year		**(523 692)**	(17 816)	**(368 209)**	97 100
Comprising:					
Deferred taxation assets		**–**	97 100	**–**	97 100
Deferred taxation liabilities		**(523 692)**	(114 916)	**(368 209)**	–
Net deferred taxation (liability)/asset		**(523 692)**	(17 816)	**(368 209)**	97 100

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

14. DEFERRED TAXATION continued

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

	2018 R'000	Amounts charged to profit or loss R'000	Amounts charged to OCI R'000	2019 R'000	**Amounts charged to profit or loss R'000**	**Amounts charged to OCI R'000**	**2020 R'000**
14.1 Group							
Post-employment benefits	967 043	82 684	(290 860)	758 867	**60 602**	**(170 824)**	**648 645**
Prepaid expenditure and other items	11 269	3 189	–	14 458	**5 844**	**–**	**20 302**
Revaluation adjustments	(23 325)	–	(1 773)	(25 098)	**–**	**2 132**	**(22 966)**
Property, plant and equipment	(364 396)	14 451	–	(349 945)	**(129 302)**	**–**	**(479 248)**
Intangible assets	(345)	(29 154)	–	(29 499)	**(102 210)**	**–**	**(131 709)**
Employee benefits accrual	73 413	(4 193)	–	69 220	**(5 076)**	**–**	**64 144**
Revenue received in advance	161 972	8 526	–	170 498	**(40 145)**	**–**	**130 353**
Fair value adjustments on SA government bonds	(59 963)	59 963	–	–	**–**	**–**	**–**
Fair value adjustments on BIS shares	–	–	(735 716)	(735 716)	**–**	**(71 178)**	**(806 894)**
Taxation loss	175 577	(66 178)	–	109 399	**(55 718)**	**–**	**53 681**
Total	941 245	69 288	(1 028 349)	(17 816)	**(266 005)**	**(239 870)**	**(523 692)**
14.2 SARB							
Post-employment benefits	903 146	78 377	(279 920)	701 603	**56 580**	**(161 235)**	**596 948**
Prepaid expenditure and other items	(1 951)	3 742	–	1 791	**(113)**	**–**	**1 678**
Revaluation adjustments	(23 325)	–	(1 773)	(25 098)	**–**	**2 132**	**(22 966)**
Property, plant and equipment	(62 035)	19 732	–	(42 303)	**(142 225)**	**–**	**(184 528)**
Intangible assets	3 160	(29 577)	–	(26 417)	**(102 564)**	**–**	**(128 981)**
Employee benefits accrual	59 396	(6 654)	–	52 742	**(6 561)**	**–**	**46 181**
Revenue received in advance	161 972	8 526	–	170 498	**(40 145)**	**–**	**130 353**
Fair value adjustments on SA government bonds	(59 963)	59 963	–	–	**–**	**–**	**–**
Fair value adjustments on BIS shares	–	–	(735 716)	(735 716)	**–**	**(71 178)**	**(806 894)**
Taxation loss	–	–	–	–	**–**	**–**	**–**
Total	980 400	134 109	(1 017 409)	97 100	**(235 028)**	**(230 281)**	**(368 209)**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

15. NOTES AND COIN IN CIRCULATION

	GROUP		SARB	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Notes	**149 079 280**	145 102 420	**149 079 280**	145 102 420
Coin	**6 464 959**	6 204 532	**6 464 959**	6 204 532
Total notes and coin in circulation	**155 544 239**	151 306 952	**155 544 239**	151 306 952

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

16. DEPOSIT ACCOUNTS

	GROUP 2020 R'000	GROUP 2019 R'000	SARB 2020 R'000	SARB 2019 R'000
Non-interest-bearing	**194 299 959**	153 816 096	**194 227 374**	153 743 511
Banks' reserve accounts	**138 362 154**	110 274 799	**138 362 154**	110 274 799
SA government accounts	**53 094 253**	41 828 902	**53 021 668**	41 756 317
Other current accounts	**2 843 552**	1 712 395	**2 843 552**	1 712 395
Interest-bearing	**152 327 324**	133 225 001	**80 552 324**	62 835 408
SA government special deposit	**67 157 404**	57 157 404	**67 157 404**	57 157 404
Banks' current accounts	**13 288 765**	5 678 004	**13 288 765**	5 678 004
Call deposits	**71 775 000**	70 389 593	**–**	–
Margin call	**106 155**	–	**106 155**	–
Total deposit accounts	**346 627 283**	287 041 097	**274 779 698**	216 578 919
Maturity structure of deposit accounts				
On demand	**127 818 960**	113 930 890	**55 971 375**	43 468 712
Subject to negotiation with National Treasury	**67 157 404**	57 157 404	**67 157 404**	57 157 404
Within 1 month	**151 650 919**	115 952 803	**151 650 919**	115 952 803
	346 627 283	287 041 097	**274 779 698**	216 578 919

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 R2.7 billion (2019: R0.6 billion).

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 as approved by the CPD Board, call deposits earn interest at a rate of ten basis points less than the 91-day Treasury Bills yield. Included in these call deposits is the Electronic Trading Platform which earns interest at a rate of 25 basis points less than the repo rate (2019: repo less 45 basis points). The prevailing rates at year-end were 5.58% (2019: 7.00%) and 5.00% (2019: 6.30%) respectively.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

17. FOREIGN DEPOSITS

	GROUP		SARB	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Foreign deposits	**148 198 491**	122 558 637	**148 198 491**	122 558 637

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

18. OTHER LIABILITIES

	GROUP 2020 R'000	GROUP 2019 R'000	SARB 2020 R'000	SARB 2019 R'000
Accruals	**327 584**	298 631	**198 970**	215 661
Accounts payable	**435 611**	301 888	**161 306**	131 529
Other financial liabilities	**2 583 381**	1 596 682	**2 312 950**	996 796
Non-financial liabilities	**1 141 043**	758 291	**1 085 934**	670 473
Total other liabilities	**4 487 619**	2 955 492	**3 759 160**	2 014 459
Maturity structure of financial liabilities				
Within 1 month	**3 056 613**	1 595 255	**2 673 226**	1 343 986
Between 1 and 12 months	**289 963**	601 946	**–**	–
Total financial liabilities	**3 346 576**	2 197 201	**2 673 226**	1 343 986

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

	GROUP 2020 R'000	GROUP 2019 R'000	SARB 2020 R'000	SARB 2019 R'000
Capital	**–**	25 000	**–**	25 000
Accrued interest	**–**	23	**–**	23
Total SARB debentures	**–**	25 023	**–**	25 023

The debentures are issued to the market on tender normally on a 7-, 14-, 28- or 56-day term. The debentures are unsecured. There were no debentures in issue at 31 March 2020. Refer to note 28 for events that occurred subsequent to the reporting date.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

20. POST-EMPLOYMENT BENEFITS

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

		GROUP		SARB	
	Notes	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Amounts recognised in the statement of financial position					
Post-employment medical benefits	20.1	2 269 102	2 408 213	2 089 699	2 209 904
Post-employment group life benefits	20.2	47 484	54 163	42 258	47 960
Post-employment retirement fund benefits	20.3	–	247 860	–	247 860
Total post-employment benefits		2 316 586	2 710 236	2 131 957	2 505 724
Maturity structure of post-employment benefits					
Within 12 months		288 061	263 870	277 382	254 163
More than 12 months		2 028 525	2 446 366	1 854 575	2 251 561
Total post-employment benefits		2 316 586	2 710 236	2 131 957	2 505 724

20.1 Post-employment medical benefits

Post-employment medical benefits are provided to retired staff in the form of subsidised medical aid premiums. This benefit has been closed to all new employees at the SARB since 1 September 2011 and SABN since 2003. A provision for the liability has been raised; this covers the total liability, that is, the accumulated post-employment medical benefit liability at 31 March 2020.

	Notes	GROUP 2020 R'000	GROUP 2019 R'000	SARB 2020 R'000	SARB 2019 R'000
Balance at the beginning of the year		2 408 213	2 703 833	2 209 904	2 482 196
Movement during the year:					
Amount recognised in profit or loss	23.3	293 581	306 253	270 391	282 620
Interest cost		241 973	240 008	222 026	220 347
Service cost		51 608	66 245	48 365	62 273
Cash movements					
Benefits paid		(117 934)	(103 613)	(108 630)	(94 837)
Amount recognised in OCI		(314 758)	(498 260)	(281 966)	(460 075)
Financial assumption gain		(517 627)	(452 740)	(480 153)	(417 895)
Experience loss/(gain) on liabilities		202 869	(45 520)	198 187	(42 180)
Balance at the end of the year		2 269 102	2 408 213	2 089 699	2 209 904

20.2 Post-employment group life benefits

Post-employment group life benefits are provided to retired staff in the form of subsidised group life premiums. This benefit has been closed to all new employees at the SARB since 1 September 2017 and one of its subsidiaries since 1 October 2017. This covers the total liability, that is, the accumulated post-employment group life benefit liability at 31 March 2020.

	Notes	GROUP 2020 R'000	GROUP 2019 R'000	SARB 2020 R'000	SARB 2019 R'000
Balance at the beginning of the year		54 163	58 005	47 960	51 439
Movement during the year:					
Amount recognised in profit or loss	23.3	7 555	7 556	6 674	6 651
Interest cost		5 404	5 113	4 786	4 536
Service cost		2 151	2 443	1 888	2 115
Cash movements					
Benefits paid		(3 388)	(3 025)	(2 985)	(2 644)
Amount recognised in OCI		(10 846)	(8 373)	(9 391)	(7 486)
Financial assumption gain		(8 766)	(8 255)	(7 769)	(7 313)
Experience gain on liabilities		(2 080)	(118)	(1 622)	(173)
Balance at the end of the year		47 484	54 163	42 258	47 960

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

20. POST-EMPLOYMENT BENEFITS continued

20.3 Post-employment retirement fund benefits

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

Statutory actuarial valuations are performed triennially with the 31 March 2018 valuation having found the fund to be in a sound financial position. Interim actuarial valuations are concluded annually (except in years where a statutory valuation is performed), with the 31 March 2020 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 Sector Conduct Authority and is a single scheme which caters for active members, pensioners on a living annuity, pensioners on a life annuity, and pensioners from the former defined benefit fund.

Active members participate on a defined contribution basis. The market risk lies fully with the active members until retirement. On retirement, former employees can commute up to one-third of their share of funds. They may use the remaining funds to buy either a living annuity or a life annuity (or a combination of both) from the fund. They may also choose to transfer their share of funds to another registered retirement annuity. The value of assets under management for active members as at 31 March 2020 was R4.1 billion (2019: R4.2 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 956 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 2020 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 2020					
Balance at the beginning of the year		2 176 044	(1 928 184)	–	247 860
Movement during the year:					
Amount recognised in profit or loss	23.3	227 382	(187 892)	–	39 490
Service cost		11 598	–	–	11 598
Interest cost/(income)		212 921	(187 892)	–	25 029
Past service cost		2 863	–	–	2 863
Cash movements		14 839	(17 702)	–	(2 863)
Benefits paid/(received)		14 839	(14 839)	–	–
Employer contributions received		–	(2 863)	–	(2 863)
Amount recognised in OCI		(554 022)	211 270	58 265	(284 487)
Financial assumption (gain)/loss		(552 342)	211 270	58 265	(282 807)
Experience gain on liabilities		(1 680)	–	–	(1 680)
Balance at the end of the year		1 864 243	(1 922 508)	58 265	–

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

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 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	23.3	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 on liabilities		(66 185)	–	–	(66 185)
Balance at the end of the year		2 176 044	(1 928 184)	–	247 860

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, 199 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 2020 amounted to R126.4 million, while the plan assets towards this liability amounted to R140.1 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 R1.8 billion with plan assets of R1.8 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 2020 per the interim valuation:

Local equities	21.79%
Local property	1.91%
Local fixed interest	23.68%
Cash	10.80%
Foreign investments	25.70%
Other	16.12%
	100.00%

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

20. POST-EMPLOYMENT BENEFITS continued

20.4 Key assumptions[1]

	Post-employment benefits	
	2020	2019
Discount rate (Post-employment group life and medical benefits)	**11.85%**	10.30%
Discount rate (Post-employment retirement fund benefits)	**11.40%**	9.70%
Medical inflation (Post-employment medical benefits)	**7.50%**	7.50%
Medical inflation (Post-employment group life benefits)	**7.00%**	7.00%
Net discount rate (Post-employment medical benefits)	**4.04%**	2.60%
Net discount rate (Post-employment group life benefits)	**4.54%**	3.08%
Salary inflation (Post-employment retirement fund benefits)	**6.60%**	7.00%
Salary inflation (Post-employment group life benefits)	**7.00%**	7.00%
Premium rate	**0.50%**	0.50%
Inflation rate	**6.00%**	6.00%
Early retirement rates		
55	**2.50%**	2.50%
56	**2.50%**	2.50%
57	**2.50%**	2.50%
58	**2.50%**	2.50%
59	**2.50%**	2.50%
Normal retirement age	**60**	60
Pensioner mortality rates		
Active members	**SA 85-90 Light**	SA 85-90 Light
Pensioners	**PA (90) rated down by 2 years with 0.75% p.a. improvement**	PA (90) rated down by 2 years with 0.75% p.a. improvement
Pension increase rate (Post-employment retirement fund benefits)		
Category 1 and ex-pension	**5.60%**	6.00%
Category 2	**4.20%**	4.50%
Category 3	**2.52%**	2.70%
Valuation date	**31 March 2020**	31 March 2019

(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 2020

20. POST-EMPLOYMENT BENEFITS continued

20.5 Sensitivity analysis

	GROUP		SARB	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
The effect of a 1% increase and decrease in the discount rate is as follows:				
Employers' accrued liability				
1% decrease	**2 895 971**	3 655 683	**2 687 863**	3 421 748
Valuation basis	**2 316 586**	2 710 236	**2 131 957**	2 505 724
1% increase	**1 853 873**	2 058 235	**1 688 568**	1 877 615
Employers' service and interest cost				
1% decrease	**560 287**	595 405	**535 241**	569 907
Valuation basis(1)	**512 963**	518 022	**489 124**	493 951
1% increase	**495 164**	469 302	**472 380**	446 477
The effect of a 1% increase and decrease in the medical inflation rate is as follows:				
Employers' accrued liability				
1% decrease	**1 997 517**	2 408 218	**1 832 174**	2 227 256
Valuation basis	**2 316 586**	2 710 236	**2 131 957**	2 505 724
1% increase	**2 576 895**	3 083 082	**2 369 093**	2 849 966
Employers' service and interest cost				
1% decrease	**474 952**	477 161	**453 764**	455 992
Valuation basis(1)	**512 963**	518 022	**489 124**	493 951
1% increase	**559 769**	569 205	**532 732**	541 513
The effect of a one year increase and decrease in the post-retirement mortality rate is as follows:				
Employers' accrued liability				
1 year downward	**2 347 572**	2 869 860	**2 158 466**	2 659 559
Valuation basis	**2 316 586**	2 710 236	**2 131 957**	2 505 724
1 year upward	**2 167 769**	2 548 688	**1 987 659**	2 349 976
Employers' service and interest cost				
1 year downward	**524 258**	538 414	**499 835**	513 661
Valuation basis(1)	**512 963**	518 022	**489 124**	493 951
1 year upward	**501 504**	497 345	**478 255**	473 958
The effect of a 1% increase and decrease in the salary inflation rate is as follows:				
Employers' accrued liability				
1% decrease	**2 256 679**	2 705 730	**2 072 250**	2 500 903
Valuation basis	**2 316 586**	2 710 236	**2 131 957**	2 505 724
1% increase	**2 260 159**	2 715 286	**2 075 305**	2 511 073
Employers' service and interest cost				
1% decrease	**512 609**	516 947	**488 812**	492 826
Valuation basis(1)	**512 963**	518 022	**489 124**	493 951
1% increase	**513 367**	519 235	**489 481**	495 215
The effect of a one year increase and decrease in the base pension increase rate is as follows:				
Employers' accrued liability				
1 year downward	**2 087 170**	2 335 654	**1 902 541**	2 131 142
Valuation basis	**2 316 586**	2 710 236	**2 131 957**	2 505 724
1 year upward	**2 618 348**	3 308 368	**2 433 719**	3 103 856
Employers' service and interest cost				
1 year downward	**493 494**	469 132	**469 655**	445 061
Valuation basis(1)	**512 963**	518 022	**489 124**	493 951
1 year upward	**565 979**	601 182	**542 140**	577 111

(1) Forecast service and interest costs for the year ending 2021.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

21. GOLD AND FOREIGN EXCHANGE CONTINGENCY RESERVE ACCOUNT

	Notes	GROUP 2020 R'000	GROUP 2019 R'000	SARB 2020 R'000	SARB 2019 R'000
Opening balance		285 829 289	193 917 028	285 829 289	193 917 028
Profit on gold price adjustment account		39 658 966	12 428 648	39 658 966	12 428 648
Loss on FEC adjustment account		(33 478 372)	(28 230 172)	(33 478 372)	(28 230 172)
Profit on foreign exchange adjustment account		142 316 096	104 738 946	142 316 096	104 738 946
Movement in unrealised gains on FECs		1 604 942	2 833 359	1 604 942	2 833 359
		435 930 921	285 687 809	435 930 921	285 687 809
Payments from National Treasury		131 123	141 480	131 123	141 480
Closing balance		436 062 044	285 829 289	436 062 044	285 829 289
Balance composition					
Balance currently due to SA government		434 358 575	285 730 764	434 358 575	285 730 764
Unrealised gains on FECs	8	1 703 469	98 525	1 703 469	98 525
		436 062 044	285 829 289	436 062 044	285 829 289

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 R131.1 million was settled by SA government (2019: R141.5 million).

22. SHARE CAPITAL

	GROUP 2020 R'000	GROUP 2019 R'000	SARB 2020 R'000	SARB 2019 R'000
Authorised and issued				
2 000 000 shares (2019: 2 000 000 shares) of R1 each	2 000	2 000	2 000	2 000

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

23. PROFIT BEFORE TAXATION

23.1 Total income includes:

	Notes	GROUP 2020 R'000	GROUP 2019 R'000	SARB 2020 R'000	SARB 2019 R'000
Income from investments		(589 399)	41 176	41 226	39 181
Dividends received		41 226	39 181	41 226	39 181
Fair value adjustments on investments		(630 625)	1 995	–	–
Income from subsidiaries and associate	34.5	–	–	1 406 941	256 287
Dividends received[1]		–	–	1 400 200	250 200
Interest		–	–	1 171	1 295
Management fees		–	–	5 570	4 792
Commission on banking services		1 144 105	1 294 271	1 144 105	1 294 271

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

23.2 Impairment loss:

	GROUP 2020 R'000	GROUP 2019 R'000	SARB 2020 R'000	SARB 2019 R'000
Credit impairment losses	2 315 341	–	–	–

(1) Refer to note 28 for events that occurred subsequent to the reporting date.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

23. PROFIT BEFORE TAXATION continued

23.3 Operating costs include:

	Notes	GROUP 2020 R'000	GROUP 2019 R'000	SARB 2020 R'000	SARB 2019 R'000
Directors' remuneration	34.7	**38 266**	33 974	**37 709**	33 409
For services as non-executive directors		**5 831**	5 055	**5 274**	4 490
For services as executive directors		**32 435**	28 919	**32 435**	28 919
Depreciation, amortisation and impairment	12 & 13	**483 457**	444 153	**306 077**	296 176
Buildings		**28 499**	36 201	**22 240**	30 433
Plant, vehicles, furniture and equipment		**347 943**	312 392	**190 528**	181 566
Computer software		**107 015**	95 560	**93 309**	84 177
Net loss/(profit) on disposal of plant, vehicles, furniture and equipment		**15 517**	52 850	**15 671**	52 431
Write-down of inventories	7	**14 720**	29 614	**–**	–
Auditors' remuneration		**25 093**	17 967	**19 281**	12 772
Audit fees		**17 475**	16 273	**12 133**	11 741
Fees for other services		**7 618**	1 694	**7 148**	1 031
Consulting fees		**154 302**	106 110	**146 901**	89 271
Retirement benefit costs		**730 621**	786 712	**646 543**	705 464
Contributions to funds – Normal		**252 139**	232 668	**218 619**	201 945
Contributions to funds – Additional		**3 445**	23 733	**3 445**	23 733
Provision for post-employment medical benefits	20.1	**293 581**	306 253	**270 391**	282 620
Provision for post-employment group life benefits	20.2	**7 555**	7 556	**6 674**	6 651
Provision for post-employment retirement fund benefits	20.3	**39 490**	90 638	**39 490**	90 638
Premiums paid – Medical aid		**128 387**	119 977	**105 081**	97 112
Premiums paid – Group life		**6 024**	5 887	**2 843**	2 765
Remuneration and recurring staff costs		**2 384 189**	2 217 855	**1 877 297**	1 775 840
Cost of new currency		**426 937**	698 951	**2 142 777**	2 324 289
Other operating costs(1)		**3 607 201**	3 478 384	**852 617**	1 188 016

(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 2020

24. TAXATION

		GROUP		SARB	
	Notes	**2020 R'000**	2019 R'000	**2020 R'000**	2019 R'000
South African normal taxation					
Current taxation		**(3 311 475)**	(2 299 925)	**(2 680 190)**	(1 874 555)
Deferred taxation					
Current year timing differences	14	**(1 800)**	13 462	**29 573**	78 283
Adjustment in respect of prior years	14	**(264 206)**	55 826	**(264 601)**	55 826
Total taxation		**(3 577 481)**	(2 230 637)	**(2 915 218)**	(1 740 446)
Reconciliation of taxation rate					
South African normal taxation rate		**28.00%**	28.00%	**28.00%**	28.00%
Adjusted for:					
Disallowable expenses[1]		**35.94%**	2.26%	**16.99%**	4.40%
Donations		**0.22%**	0.29%	**0.30%**	0.37%
Impairment of investment in associate		**17.45%**	0.00%	**16.48%**	0.00%
Credit impairment losses		**18.12%**	0.00%	**0.00%**	0.00%
Expenses of a capital nature		**0.15%**	1.96%	**0.20%**	4.03%
Exempt income and special deductions[1]		**(11.06%)**	(3.28%)	**(15.19%)**	(4.12%)
Dividends		**(11.05%)**	(3.28%)	**(15.18%)**	(4.12%)
Special allowances		**(0.01%)**	0.00%	**(0.01%)**	0.00%
Prior years[1]		**(2.34%)**	(0.70%)	**1.55%**	(0.88%)
Effective taxation rate		**50.54%**	26.28%	**31.35%**	27.40%
Taxation paid					
Opening balance – taxation payable		**(124 303)**	(20 390)	**(107 919)**	(17 830)
Taxation for the year		**(3 311 475)**	(2 299 925)	**(2 680 190)**	(1 874 555)
Interest accrued		**32**	–	**–**	–
Closing balance – taxation payable[2]		**1 013 747**	124 303	**994 754**	107 919
Taxation paid[3]		**(2 421 999)**	(2 196 012)	**(1 793 355)**	(1 784 466)

(1) Comparative have been expanded as part of the enhancement to the financial statements disclosure.

(2) Consists of taxation receivable of R0.3 million (2019: R1.4 million) and taxation payable of R1.0 billion (2019: R0.1 billion).

(3) Consists of taxation received of R1.1 million (2019: R5.1 million) and taxation paid of R2.4 billion (2019: R2.2 billion).

25. DIVIDENDS PAID

	GROUP 2020 R'000	GROUP 2019 R'000	SARB 2020 R'000	SARB 2019 R'000
Dividends were paid as follows:				
Final dividend of 5 cents per share for the 2019 financial year	**100**	100	**100**	100
Interim dividend of 5 cents per share for the 2020 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 2020

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

		GROUP		SARB	
	Notes	**2020 R'000**	2019 R'000	**2020 R'000**	2019 R'000
Reconciliation of profit before taxation to cash generated from operating activities					
Profit before taxation for the year		**7 078 186**	8 489 570	**9 299 755**	6 351 089
Adjustments for:					
Interest received[1]		**(7 859 107)**	(8 140 641)	**(3 720 604)**	(3 779 695)
Interest paid[1]		**10 108 491**	8 819 567	**5 367 919**	4 055 811
Depreciation, amortisation and impairment	12 & 13	**483 457**	444 153	**306 077**	296 176
Net loss on disposal of fixed assets	23.2	**15 517**	52 850	**15 671**	52 431
Profit from associate	34.2	**(280 463)**	(546 682)	**–**	–
Impairment loss on investment in associate		**2 229 832**	–	**1 533 000**	–
Credit impairment losses		**2 315 341**	–	**–**	–
Unrealised foreign exchange loss		**6 345**	113	**–**	–
Fair value adjustments on investments	23.1	**630 625**	(1 995)	**–**	–
Post-employment benefits		**216 441**	297 715	**202 077**	282 334
Coupon interest accrued		**107 853**	(109 555)	**107 853**	(109 555)
Amortisation of coupon interest		**–**	(35 107)	**–**	(35 107)
Interest accrued on accommodations to banks		**(71 788)**	–	**(71 788)**	–
Interest accrued on taxation		**(32)**	–	**–**	–
Net cash generated from operating activities		**14 980 698**	9 269 988	**13 039 960**	7 113 484
Changes in working capital					
Amounts due from subsidiaries		**–**	–	**20 778**	13 138
Accommodation to banks		**(44 662 162)**	5 423 354	**(44 662 162)**	5 423 354
Other assets		**4 410**	151 587	**(174 196)**	213 730
Gold and foreign exchange		**(216 579 061)**	(122 783 467)	**(216 579 061)**	(122 783 467)
Inventories		**133 213**	(537 627)	**364**	1 155
Loans and advances		**(10 150 657)**	(62 561)	**2 779**	1 419
Equity investment in BIS		**(984 753)**	(598 031)	**(984 753)**	(598 031)
Notes and coin in circulation		**4 237 287**	4 976 797	**4 237 287**	4 976 797
Deposit accounts		**59 586 186**	7 020 767	**58 200 779**	4 938 752
Amounts due to subsidiaries		**–**	–	**16 449 020**	(6 664 716)
Other liabilities		**184 961**	1 287 619	**361 945**	642 569
Foreign deposits		**25 639 854**	20 602 845	**25 639 854**	20 602 845
SARB debentures		**(25 023)**	(315 383)	**(25 023)**	(315 383)
Gold and Foreign Exchange Contingency Reserve Account		**148 627 811**	89 078 901	**148 627 811**	89 078 901
Cash (utilised by)/generated from changes in working capital		**(33 987 934)**	4 244 801	**(8 884 578)**	(4 468 937)
Cash (utilised by)/generated from operating activities		**(19 007 236)**	13 514 789	**4 155 382**	2 644 547

(1) Comparative figures have been amended as part of the enhancement to the financial statements disclosure.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

27. CAPITAL COMMITMENTS

	GROUP		SARB	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Capital expenditure contracted for at the end of the reporting period but not yet incurred	**440 747**	438 048	**354 087**	421 113
Buildings	**18 355**	1 935	**13 659**	–
Plant, vehicles, furniture and equipment	**152 856**	181 383	**72 200**	170 561
Intangible assets	**269 536**	254 730	**268 228**	250 552
Capital expenditure approved but not yet contracted for at the end of the reporting period	**1 046 587**	495 168	**585 886**	233 120
Buildings	**103 488**	73 162	**1 895**	–
Plant, vehicles, furniture and equipment	**328 245**	239 331	**17 537**	78 326
Intangible assets	**614 854**	182 675	**566 454**	154 794
Total capital commitments	**1 487 334**	933 216	**939 973**	654 233

These capital commitments will be funded from internal resources.

28. EVENTS AFTER REPORTING DATE

The global COVID-19 pandemic developed rapidly in 2020, with South Africa recording its first case in March 2020. Subsequently there was a significant rise in the number of infections, which prompted the SA government to implement a nationwide lockdown measure to contain the spread of the virus, however, this led to a major economic down turn.

The COVID-19 pandemic has had a significant impact on the SARB's operations but limited impact on the 2019/20 financial results. The SARB will continue to follow the various national institutes' policies and advice, and in parallel do the utmost to continue operations in the best and safest way possible without jeopardising the health of its employees.

As a result of the COVID-19 pandemic, the Group draws attention to the following significant non-adjusting items that occured subsequent to year-end.

Monetary and financial stability policy tools

As part of the SARB's continuous measures to manage liquidity during the COVID-19 pandemic, SA government bonds of R19.5 billion were purchased from the secondary market.

The SARB had an issuance of SARB debentures of R7.1 billion.

The MPC reduced the repo rate by 100bps to 4.25% and a further 50bps to 3.75% on 14 April 2020 and 21 May 2020 respectively.

Credit exposure and collateral

At the reporting date, the SARB allowed certain counterparty bills as part of its acceptable collateral pool for its refinancing operations as they were deemed HQLA.

The counterparty has been experiencing a liquidity shortfall and has accordingly been engaging various stakeholders to address the financial obligations falling due which may need to be deferred.

The measure taken to manage credit risk exposure on the counterparty collateral held at year-end, was that replacement collateral be posted. The collateral matured on 13 May 2020, following maturity of the repo for which it was held.

The SARB has taken a decision to temporarily suspend the counterparty bills as eligible collateral in its repo operations.

As a result of a counterparty default subsequent to year-end, the CPD management and Board approved a 70% impairment on the additional promissory notes of R420.0 million purchased subsequent to year end, but before the default was known, which will be impaired in the 2020/21 financial year.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

28. EVENTS AFTER REPORTING DATE continued

Loan guarantee scheme

On 20 April 2020 the President announced the formation of the COVID-19 Loan Guarantee Scheme (Scheme). The Scheme has been implemented by National Treasury, the SARB and commercial banks to assist qualifying small and medium-sized businesses and ultimately the economy during the COVID-19 pandemic. R100 billion has been earmarked to be made available to commercial banks by the SARB at the repo rate. The loan facility is guaranteed by National Treasury.

These funds will enable commercial banks to provide loans, for purposes of certain operational expenses, to qualifying businesses impacted by the lockdown and the COVID-19 pandemic. The Scheme was implemented on 12 May 2020. Drawdown by qualifying businesses, under the Scheme, will be available for a 6-month period and the outstanding balance at the end of the 6 month period will be repayable over a repayment period of 60 months.

Retraction of dividend paid

As per paragraph 3(c) of the CPD Act, the CPD has power to pay the shareholder, from its net profits, annually a dividend on the paid-up capital of the CPD. A dividend of 10 cents per ordinary share was declared during the year and paid on 27 March 2020.

Due to the solvency and going-concern issues noted in the Directors' Report of the CPD's 2020 Annual Financial Statements it was recommended that the dividend be rescinded and repaid by the SARB. The CPD Board approved the withdrawal of the dividend of R200 000 and requested repayment from the shareholder (SARB).

Guarantee

The SARB issued a guarantee in favour of the CPD of R3.45 billion for all amounts required by it for the due and punctual performance of its obligations under the CPD Act. This guarantee is a continuing covering security and will remain in force for 12 months after signature date.

Capital commitments

The multi-year Tier 1 and 2 strategic projects may be delayed as a result of the COVID-19 pandemic. It is not anticipated that any contracts will be cancelled as a result of the pandemic, although the cash flow projections on these projects may be adjusted. The financial impact could not be quantified.

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS

Introduction

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

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

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

Reserves management

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

» cover its external operational needs;

» service the country's foreign exchange liabilities;

» cover any foreign currency net imbalances in the balance of payments; and

» maintain confidence in the country's monetary and exchange rate policies.

Framework

The risk tolerance of the SARB, as far as reserves management operations are concerned, is specified and implemented through the Investment Policy (IP) (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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

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29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS continued

Framework continued

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

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

Governance

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

Monetary policy

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

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

Framework

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS continued

Governance

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

Daily operations

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

Statement of financial position impact

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

29.1 Market risk

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

29.1.1 Interest rate risk

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

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

29.1.2 Price risk

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

29.1.3 Currency risk

29.1.3.1 Foreign exchange operations

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

29.1.3.2 Concentration risk

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS continued

29.1 Market risk continued

29.1.3 Currency risk continued

29.1.3.2 Concentration risk continued

	South African rand		Gold		United States dollar		Euro		Pound sterling		Chinese Yen		Other		Total	
	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%
GROUP 2020																
Financial assets																
Amortised cost																
Cash and cash equivalents	20 429 246	99.5	–	0.0	99 898	0.5	7 452	0.0	–	0.0	–	0.0	–	0.0	20 536 596	100.0
Accommodation to banks	106 129 456	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	106 129 456	100.0
Other financial assets	372 330	94.0	–	0.0	20 662	5.2	3 104	0.8	–	0.0	–	0.0	–	0.0	396 096	100.0
Loans and advances	25 468 058	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	25 468 058	100.0
FVPL																
Investments	7 369 300	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	7 369 300	100.0
SA government bonds	9 236 468	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	9 236 468	100.0
FVOCI																
Equity investment in BIS	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	5 635 768	100.0	5 635 768	100.0
SARB Act																
Gold and foreign exchange	–	0.0	115 360 360	12.4	548 178 692	58.8	59 656 172	6.4	62 258 530	6.7	61 087 321	6.6	85 438 737	9.2	931 979 812	100.0
FEC assets	–	0.0	–	0.0	1 802 777	100.0	–	0.0	–	0.0	–	0.0	–	0.0	1 802 777	100.0
Total financial assets	169 004 858	15.5	115 360 360	10.4	550 102 029	49.5	59 666 728	5.4	62 258 530	5.6	61 087 321	5.5	91 074 505	8.2	1 108 554 331	100.0
Unrecognised financial assets																
Guarantees	3 000 000	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	3 000 000	100.0
Total unrecognised financial assets	3 000 000	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	3 000 000	100.0
Financial liabilities																
Amortised cost																
Notes and coin in circulation	155 544 239	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	155 544 239	100.0
Deposit accounts	346 627 283	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	346 627 283	100.0
Other financial liabilities	2 954 538	88.3	–	0.0	300 013	8.8	91 960	2.7	65	0.0	–	0.0	–	0.0	3 346 576	100.0
Lease liabilities	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0
FVPL																
Foreign deposits	–	0.0	–	0.0	126 456 422	85.3	6 657 308	4.5	–	0.0	7 923 627	5.3	7 161 134	4.8	148 198 491	100.0
SARB Act																
FEC liabilities	–	0.0	–	0.0	99 308	100.0	–	0.0	–	0.0	–	0.0	–	0.0	99 308	100.0
GFECRA	436 062 044	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	436 062 044	100.0
Total financial liabilities	941 188 104	86.4	–	0.0	126 855 743	11.6	6 749 268	0.6	65	0.0	7 923 627	0.7	7 161 134	0.7	1 089 877 941	100.0
Unrecognised financial liabilities																
CLF	139 982 000	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	139 982 000	100.0
Guarantees	3 000 000	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	3 000 000	100.0
Total unrecognised financial liabilities	142 982 000	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	142 982 000	100.0

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

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																
Guarantees	3 000 000	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	3 000 000	100.0
Total unrecognised financial assets	3 000 000	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	3 000 000	100.0
Financial liabilities																
Amortised cost																
Notes and coin in circulation	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																
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 2020

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS continued

29.1 Market risk continued

29.1.3 Currency risk continued

29.1.3.2 Concentration risk continued

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

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																
Guarantees	3 000 000	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	3 000 000	100.0
Total unrecognised financial assets	3 000 000	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	3 000 000	100.0
Financial liabilities																
Amortised cost																
Notes and coin in circulation	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																
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 2020

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS continued

29.2 Credit risk

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

A prudent approach to credit risk management is adopted through limiting investment activities to high credit quality assets and counterparties by setting minimum credit rating requirements and requesting appropriate collateral. Credit risk is largely managed by specifying concentration, asset class and counterparty limits and holdings per credit rating category in the IG. The SARB mitigates concentration risk through diversification and investing in accordance with the prescriptions of the IG. This excludes government owned entities and guaranteed securities of highly rated countries. Exposure to these entities are usually unlimited as credit risk is perceived to be minimal. Furthermore, minimum collateral requirements and netting-off arrangements with certain counterparties and securities lending agents are in place, usually through 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 PDs associated with each grade are determined based on realised default rates over the prior 12 months, as published by the rating agency.
- The Group's rating method comprises 25 rating levels for instruments not in default (1 to 25) and five default classes (26 to 30). The master scale assigns each rating category a specified range of probabilities of default, which is stable over time. The rating methods are subject to an annual validation and recalibration so that they reflect the latest projections in the light of all actually observed defaults.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

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	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
AAA	**236 248 283**	176 773 824	**236 248 283**	176 773 824
AA	**107 618 483**	125 035 629	**107 618 483**	125 035 629
A	**136 790 567**	81 987 521	**136 790 567**	81 987 521
A-1	**341 597 887**	260 244 788	**341 597 887**	260 244 788
Total foreign financial assets	822 255 220	644 041 762	822 255 220	644 041 762

The instruments relating to the foreign reserves are summarised below:

	GROUP		SARB	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Government bonds	**212 631 754**	148 457 075	**212 631 754**	148 457 075
Government Treasury Bills	**70 722 655**	59 075 205	**70 722 655**	59 075 205
Agency bonds	**113 321 849**	101 744 014	**113 321 849**	101 744 014
Money market securities	**208 911 593**	158 185 218	**208 911 593**	158 185 218
Superanationals	**138 632 475**	101 144 361	**138 632 475**	101 144 361
Agency mortgage-backed securities	**18 984 842**	16 593 771	**18 984 842**	16 593 771
Credit bonds	**17 596 724**	19 578 191	**17 596 724**	19 578 191
State provinces	**35 661 810**	34 804 432	**35 661 810**	34 804 432
BIS equity	**5 635 768**	4 333 257	**5 635 768**	4 333 257
Other equities	**155 750**	126 238	**155 750**	126 238
Total foreign financial assets	822 255 220	644 041 762	822 255 220	644 041 762

29.2.2 ECL measurement

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

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

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for the year ended 31 March 2020

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 exposures makes it unlikely that credit risk will move significantly. This is, however, reviewed frequently.

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

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 2020 (2019: none).

The CPD has recognised a significant increase in credit risk for its financial instruments following the default and other quantitative and qualitative credit risk criteria. The CPD did not use the low credit risk exemption for any financial instruments in the year ended 31 March 2020 (2019: none).

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

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 incurred credit losses.
- An active market for that financial asset has disappeared.

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

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

29.2.2.3 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.

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

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*

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 do not generally 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 minor impact on the required impairments. However, in the current year, the impact of COVID-19 has been factored into the ECL model as part of incorporation of forward-looking information. This has resulted in an additional R1.0 billion ECL allowance being recognised. A one notch credit rating downgrade is applied and the corresponding PD's as at reporting date is used for impairment variance due to a decline in credit quality. This approach is deemed to be sufficient by management and 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

As a result of the downgrade of the sovereign and the negative outlook of the South African economy and Gross Domestic Product, there has been a significant increase in credit risk to the value of R1.3 billion. This was exasperated by the impact of the COVID-19 pandemic, resulting in an additional R1.0 billion increase. The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised.

	2020					2019
	Stage 1 Lifetime ECL R'000	**Stage 2 Lifetime ECL R'000**	**Stage 3 Lifetime ECL R'000**	**Purchased credit impaired R'000**	**Total R'000**	Total R'000
Credit grade						
Investment grade	–	–	–	–	–	–
Standard monitoring	–	–	–	–	–	–
Special monitoring	–	–	–	–	–	–
Default	–	–	–	–	–	–
Gross carrying amount	–	–	–	–	–	–
Loss allowance	–	(2 315 341)	–	–	(2 315 341)	–
Carrying amount	–	(2 315 341)	–	–	(2 315 341)	–

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS continued

29.2 Credit risk continued

29.2.3.2 Collateral and other credit enhancements

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

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

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

There were no investment securities with a credit rating below the SARB's Investment Guidelines as at 31 March 2020.

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

29.2.4 Loss allowance

The 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;
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period; and
- Incorporation of COVID-19 pandemic as part of forward looking information. This is expected to have a significant impact on the South African economy and well as result in a decrease in GDP.

As at 31 March 2020 the Group recognised a loss allowance of R2.3 billion (2019: Rnil); SARB Rnil (2019: Rnil).

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 2020

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS continued

29.3 Liquidity risk continued

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

	Current					Non-current	
	Redeemable on demand R'000	Up to 1 month R'000	1 – 3 months R'000	4 – 6 months R'000	7 – 12 months R'000	More than 1 year R'000	Total R'000
GROUP 2020							
Financial assets							
Cash and cash equivalents	–	20 536 596	–	–	–	–	20 536 596
Accommodation to banks	86 108 168	–	20 021 288	–	–	–	106 129 456
Other financial assets	–	99 790	296 306	–	–	–	396 096
Loans and advances	25 413 861	–	–	–	54 197	–	25 468 058
Investments	–	99 494	163 390	7 106 416	–	–	7 369 300
SA government bonds	–	–	–	–	–	9 236 468	9 236 468
Equity investment in BIS	5 635 768	–	–	–	–	–	5 635 768
Gold and foreign exchange	168 363 935	157 353 072	66 668 683	104 451 497	132 257 486	302 885 139	931 979 812
FEC assets	–	527 367	856 474	418 936	–	–	1 802 777
Total financial assets	285 521 732	178 616 319	88 006 141	111 976 849	132 311 683	312 121 607	1 108 554 331
Unrecognised financial assets							
Guarantees	3 000 000	–	–	–	–	–	3 000 000
Total unrecognised financial assets	3 000 000	–	–	–	–	–	3 000 000
Financial liabilities							
Notes and coin in circulation	155 544 239	–	–	–	–	–	155 544 239
Deposit accounts	194 976 364	151 650 919	–	–	–	–	346 627 283
Foreign deposits	25 525	148 172 966	–	–	–	–	148 198 491
Other financial liabilities	–	3 056 613	130 019	57 100	102 844	–	3 346 576
FEC liabilities	–	200	–	99 108	–	–	99 308
GFECRA	436 062 044	–	–	–	–	–	436 062 044
Total financial liabilities	786 608 172	302 880 698	130 019	156 208	102 844	–	1 089 877 941
Unrecognised financial liabilities							
CLF	139 982 000	–	–	–	–	–	139 982 000
Guarantees	3 000 000	–	–	–	–	–	3 000 000
Total unrecognised financial liabilities	142 982 000	–	–	–	–	–	142 982 000

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
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 2020

29. RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS continued

29.3 Liquidity risk continued

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

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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 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

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

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30. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

	Total R'000	FVPL (Mandatory) R'000	FVPL (Designated) R'000	Amortised cost R'000	FVOCI R'000	SARB Act R'000	Fair value[1] R'000
GROUP 2020							
Financial assets							
Cash and cash equivalents	20 536 596	–	–	20 536 596	–	–	20 536 596
Accommodation to banks	106 129 456	–	–	106 129 456	–	–	106 129 456
Investments	7 369 300	–	7 369 300	–	–	–	–
Other financial assets	396 096	–	–	396 096	–	–	396 096
Gold and foreign exchange	931 979 812	249 449	763 366 428	–	–	168 363 935	–
FEC assets	1 802 777	–	–	–	–	1 802 777	–
Loans and advances	25 468 058	–	–	25 468 058	–	–	25 468 058
SA government bonds	9 236 468	–	9 236 468	–	–	–	–
Equity investment in BIS	5 635 768	–	–	–	4 651 015	984 753	–
Unrecognised financial assets							
Guarantees	–	–	–	–	–	–	3 000 000
Financial liabilities							
Notes and coin in circulation	155 544 239	–	–	155 544 239	–	–	155 544 239
Deposit accounts[2]	346 627 283	–	–	346 627 283	–	–	346 627 283
Foreign deposits	148 198 491	–	148 198 491	–	–	–	–
Other financial liabilities	3 346 576	–	–	3 346 576	–	–	3 346 576
FEC liabilities	99 308	–	–	–	–	99 308	–
GFECRA	436 062 044	–	–	–	–	436 062 044	–
Unrecognised financial liabilities							
CLF	–	–	–	–	–	–	139 982 000
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) 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 2020

30. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES continued

	Total R'000	FVPL (Mandatory) R'000	FVPL (Designated) R'000	Amortised cost R'000	FVOCI R'000	SARB Act R'000	Fair value[1] R'000
GROUP 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

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30. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES continued

	Total R'000	FVPL (Mandatory) R'000	FVPL (Designated) R'000	Amortised cost R'000	FVOCI R'000	SARB Act R'000	Fair value[1] R'000
SARB 2020							
Financial assets							
Amounts due by subsidiaries	66	–	–	66	–	–	66
Accommodation to banks	106 129 456	–	–	106 129 456	–	–	106 129 456
Other financial assets	367 923	–	–	367 923	–	–	367 923
Gold and foreign exchange	931 979 812	249 449	763 366 428	–	–	168 363 935	–
FEC assets	1 802 777	–	–	–	–	1 802 777	–
Loans and advances	54 197	–	–	54 197	–	–	54 197
SA government bonds	9 236 468	–	9 236 468	–	–	–	–
Equity investment in BIS	5 635 768	–	–	–	4 651 015	984 753	–
Unrecognised financial assets							
Guarantees	–	–	–	–	–	–	3 000 000
Financial liabilities							
Notes and coin in circulation	155 544 239	–	–	155 544 239	–	–	155 544 239
Deposit accounts[2]	274 779 698	–	–	274 779 698	–	–	274 779 698
Amounts due to subsidiaries	17 320 772	–	–	17 320 772	–	–	17 320 772
Foreign deposits	148 198 491	–	148 198 491	–	–	–	–
Other financial liabilities	2 673 226	–	–	2 673 226	–	–	2 673 226
FEC liabilities	99 308	–	–	–	–	99 308	–
GFECRA	436 062 044	–	–	–	–	436 062 044	–
Unrecognised financial liabilities							
CLF	–	–	–	–	–	–	139 982 000
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 2020

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	285 829 289	–	–	–	–	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 2020

31. FAIR VALUE HIERARCHY DISCLOSURES

The tables on pages 79 to 82 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. The reallocation of the short-term deposits from level 1 to level 2 in the current year was due to investment prices agreed upon and negotiated between dealers and not due to a change in the valuation technique used to determine the fair value.

31.1 Valuation techniques used to derive Level 1 fair values

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

31.2 Valuation techniques used to derive Level 2 fair values

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

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

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

31.3 Valuation techniques used to derive Level 3 fair values

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

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

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for the year ended 31 March 2020

31. FAIR VALUE HIERARCHY DISCLOSURES continued

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
GROUP 2020				
Items measured at fair value				
Non-financial assets				
Property, plant and equipment	–	–	132 825	132 825
Financial assets				
SA government bonds	9 236 468	–	–	9 236 468
Equity investment in BIS(1)	–	–	5 635 768	5 635 768
FEC assets	–	1 802 777	–	1 802 777
Investments	–	7 369 300	–	7 369 300
Gold and foreign exchange	600 872 922	331 106 890	–	931 979 812
Gold coin and bullion	115 360 360	–	–	115 360 360
Money- and capital-market instruments and deposits	–	167 416 260	–	167 416 260
Medium-term investments	431 135 691	92 013 417	–	523 149 108
Portfolio investments	54 376 871	71 677 213	–	126 054 084
Financial liabilities				
FEC liabilities	–	99 308	–	99 308
Foreign deposits	–	148 198 491	–	148 198 491
Items measured at amortised cost				
Financial assets				
Cash and cash equivalents	803 652	19 732 944	–	20 536 596
Accommodation to banks	–	106 129 456	–	106 129 456
Other financial assets	–	396 096	–	396 096
Loans and advances	–	25 468 058	–	25 468 058
Financial liabilities				
Notes and coin in circulation	–	155 544 239	–	155 544 239
Deposit accounts	–	346 627 283	–	346 627 283
Other financial liabilities	–	3 346 576	–	3 346 576
GFECRA	436 062 044	–	–	436 062 044

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

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	–	16 848 505
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	–	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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

31. FAIR VALUE HIERARCHY DISCLOSURES continued

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
SARB 2020				
Items measured at fair value				
Non-financial assets				
Property, plant and equipment	–	–	132 825	132 825
Financial assets				
SA government bonds	9 236 468	–	–	9 236 468
Equity investment in BIS[1]	–	–	5 635 768	5 635 768
FEC assets	–	1 802 777	–	1 802 777
Gold and foreign exchange	600 872 922	331 106 890	–	931 979 812
Gold coin and bullion	115 360 360	–	–	115 360 360
Money- and capital-market instruments and deposits	–	167 416 260	–	167 416 260
Medium-term investments	431 135 691	92 013 417	–	523 149 108
Portfolio investments	54 376 871	71 677 213	–	126 054 084
Securities lending asset	–	–	–	–
Financial liabilities				
FEC liabilities	–	99 308	–	99 308
Foreign deposits	–	148 198 491	–	148 198 491
Items measured at amortised cost				
Financial assets				
Amounts due from subsidiaries	–	66	–	66
Accommodation to banks	–	106 129 456	–	106 129 456
Other financial assets	–	367 923	–	367 923
Loans and advances	–	54 197	–	54 197
Financial liabilities				
Notes and coin in circulation	–	155 544 239	–	155 544 239
Deposit accounts	–	274 779 698	–	274 779 698
Amounts due to subsidiaries	–	17 320 772	–	17 320 772
Other financial liabilities	–	2 673 226	–	2 673 226
GFECRA	436 062 044	–	–	436 062 044

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

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	–	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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

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 2020						
Interest income	**11 320 879**	**623 144**	**2 838 628**	**7 859 107**	**–**	**–**
Interest expense	**(10 108 491)**	**–**	**–**	**(10 108 491)**	**–**	**–**
Fair value gains/(losses)	**12 735 806**	**(48 301)**	**12 784 107**	**–**	**–**	**–**
Dividend income related to investments held at year-end	**41 226**	**–**	**–**	**–**	**41 226**	**–**
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 2020						
Interest income	**6 269 229**	**623 144**	**1 925 481**	**3 720 604**	**–**	**–**
Interest expense	**(5 367 919)**	**–**	**–**	**(5 367 919)**	**–**	**–**
Fair value gains/(losses)	**13 366 431**	**(48 301)**	**13 414 732**	**–**	**–**	**–**
Dividend income related to investments held at year-end	**1 441 426**	**–**	**–**	**1 400 200**	**41 226**	**–**
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	–

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33. COMMITMENTS AND GUARANTEES

33.1 Guarantees

R3.0 billion (2019: R3.0 billion) has been guaranteed by the SARB to ABL undertaking to settle unrecoverable loans that Residual Debt Services Limited (RDS) could not settle in terms of the indemnity agreement. By 31 March 2020 this facility had not been utilised.

In turn, R3.0 billion (2019: 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 2020 this facility had not been utilised and no loss allowances were required.

33.2 Committed liquidity facilities

The committed liquidity facilities (CLFs) are designed to allow local banks to meet Basel III rules that require financial institutions to hold high-quality liquid assets as a buffer during times of market stress. Subsequently, the SARB has approved the provision of a CLF 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 2020 the total CLFs granted by the SARB for the period 1 January 2020 to 31 December 2020 amounted to R140.0 billion (2019: R140.0 billion), which have not yet been utilised. Commitment fees of R620.7 million (2019: R811.9 million) have been received for the period of 1 January 2020 to 31 December 2020 of which R155.2 million (2019: R203.0 million) is accounted for as income for the year ended 31 March 2020. The balance is reflected in other liabilities.

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

The available facility is limited to the lower of the facilities entered into and the available collateral after the haircut is applied. To date, residential, commercial mortgages, auto loans and asset backed securities of R128.5 billion (2019: R151.1 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 24 months. An impairment was raised against the transferred amount in the prior year 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. There were no activities in the current year.

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34. RELATED PARTY INFORMATION

34.1 Investment in subsidiaries

	Authorised and issued share capital		GROUP		SARB	
	Number of shares '000	% held	2020 R'000	2019 R'000	2020 R'000	2019 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 (2019: R0.7 billion) bears no interest and has no fixed terms of repayment. No repayments were made during the year (2019: R0 billion). The SARB may demand repayment of the loan provided the subsidiary's assets exceed its liabilities. When recalled, the subsidiary has the option to convert the loan to share capital. The loan is included in the books of the subsidiary as a separate category of equity and is thus treated as an addition to the SARB's investment in subsidiary.

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

	GROUP 2020 R'000	GROUP 2019 R'000	SARB 2020 R'000	SARB 2019 R'000
Corporation for Public Deposits	(2 769 396)	92 135	–	–
South African Bank Note Company (RF) Proprietary Limited	105 860	155 596	–	–
South African Mint Company (RF) Proprietary Limited	947 039	666 244	–	–
Total contribution to Group profit	**(1 716 497)**	913 975	–	–

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

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34. RELATED PARTY INFORMATION continued

34.2 Investment in associate

	Authorised and issued share capital		GROUP		SARB	
	Number of shares '000	% held	2020 R'000	2019 R'000	2020 R'000	2019 R'000
African Bank Holdings Limited (Carrying value)	500 000	50	**5 416 369**	4 869 687	**5 000 000**	5 000 000
Profit attributable to Group			**280 463**	546 682	**–**	–
Impairment loss			**(2 229 832)**	–	**(1 533 000)**	–
Carrying value of investment in associate			**3 467 000**	5 416 369	**3 467 000**	5 000 000

34.2.1 Impairment loss recognised on investment in associate:

The Group performs an annual impairment test on the investment in associate. The recognition of the impairment loss in the current year is mainly as a result of the large scale economic impact of the COVID-19 pandemic on the expected future cash flows of ABHL.

The free cash flow model was used to calculate the recoverable amount of R3.5 billion and is based on certain assumptions.

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

- ABHL is a going concern and would be able to continue operating for the foreseeable future.
- The calculations use cash flow projections based on financial budgets approved by ABHL management covering a five-year period.
- A discount rate of 17.19% (2019: 14.97%) was used to calculate the present value of future cash flows.
- Funding will be sourced under market related conditions as required.

34.2.2 Sensitivity analysis:

	GROUP		SARB	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
The effect of a 1% increase and decrease in the discount rate is as follows:				
ABHL carrying value				
1% decrease	**3 529 000**	5 416 369	**3 529 000**	5 000 000
Valuation basis	**3 467 000**	5 416 369	**3 467 000**	5 000 000
1% increase	**3 408 000**	5 416 369	**3 408 000**	5 000 000
Impairment loss				
1% decrease	**2 386 932**	–	**1 471 000**	–
Valuation basis	**2 448 932**	–	**1 533 000**	–
1% increase	**2 507 932**	–	**1 592 000**	–
The effect of a 10% increase and decrease in the cash flow forecast is as follows:				
ABHL carrying value				
10% decrease	**3 121 000**	5 416 369	**3 121 000**	5 000 000
Valuation basis	**3 467 000**	5 416 369	**3 467 000**	5 000 000
10% increase	**3 814 000**	5 416 369	**3 814 000**	5 000 000
Impairment loss				
10% decrease	**2 794 932**	–	**1 879 000**	–
Valuation basis	**2 448 932**	–	**1 533 000**	–
10% increase	**2 101 932**	–	**1 186 000**	–

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

34. RELATED PARTY INFORMATION continued

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	**649 235**	437 835	**–**	–
Accumulated non-controlling interest at year-end	**162 470**	133 635	**–**	–
Dividends paid to non-controlling interest	**620 400**	368 360	**–**	–

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 Group companies

Amounts due by related parties				
Corporation for Public Deposits	**17 917 262**	2 044 665	**–**	17 639
South African Bank Note Company (RF) Proprietary Limited	**5 199**	16 305	**–**	3 191
SA government	**25 413 861**	17 575 766	**–**	–
South African Mint Company (RF) Proprietary Limited	**66**	996	**66**	14
Amounts due to related parties				
Corporation for Public Deposits	**17 315 573**	875 295	**17 315 573**	857 656
South African Bank Note Company (RF) Proprietary Limited	**602 167**	519 284	**5 199**	13 114
SA government	**628 370 323**	455 449 018	**556 528 411**	384 950 480
GEFCRA	**436 062 044**	285 829 289	**436 062 044**	285 829 289
Deposits				
Non-interest-bearing	**53 094 253**	41 828 902	**53 021 668**	41 756 317
Interest-bearing	**138 926 731**	127 541 422	**67 157 404**	57 157 404
Other liabilities	**287 295**	249 405	**287 295**	207 470
South African Mint Company (RF) Proprietary Limited	**4 787**	654 273	**–**	982
South African Reserve Bank Retirement Fund	**5 673**	5 575	**–**	–

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

34. RELATED PARTY INFORMATION continued

34.5 Transactions between the SARB and its related parties

	GROUP		SARB	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Dividend received	**1 400 200**	250 200	**1 400 200**	250 200
Corporation for Public Deposits[1]	**200**	200	**200**	200
South African Mint Company (RF) Proprietary Limited	**1 400 000**	250 000	**1 400 000**	250 000
Dividend paid	**1 400 200**	250 200	**–**	–
Corporation for Public Deposits[1]	**200**	200	**–**	–
South African Mint Company (RF) Proprietary Limited	**1 400 000**	250 000	**–**	–
Interest received	**3 874 324**	3 711 665	**1 171**	1 295
African Bank Limited (equity accounted, not consolidated)	**913**	1 145	**913**	1 145
Corporation for Public Deposits	**876 623**	734 232	**258**	150
SA government	**2 996 788**	2 976 288	**–**	–
Interest paid	**6 306 990**	6 129 269	**772 554**	665 067
African Bank Limited (equity accounted, not consolidated)	**221**	357	**221**	357
Corporation for Public Deposits	**772 591**	664 860	**772 333**	664 710
South African Bank Note Company (RF) Proprietary Limited	**72 022**	59 451	**–**	–
SA government	**5 430 146**	5 394 680	**–**	–
South African Mint Company (RF) Proprietary Limited	**31 368**	9 178	**–**	–
South African Reserve Bank Retirement Fund	**642**	743	**–**	–
Rent received				
South African Bank Note Company (RF) Proprietary Limited	**1 466**	1 200	**–**	–
Rent paid				
South African Bank Note Company (RF) Proprietary Limited	**1 466**	1 200	**1 466**	1 200
Admin and management fees received	**38 333**	36 171	**9 780**	8 111
Corporation for Public Deposits	**3 311**	3 168	**3 311**	3 168
South African Bank Note Company (RF) Proprietary Limited	**25 514**	24 973	**1 514**	973
South African Mint Company (RF) Proprietary Limited	**5 298**	4 711	**745**	651
South African Reserve Bank Retirement Fund	**4 210**	3 319	**4 210**	3 319
Admin and management fees paid	**34 123**	32 852	**28 553**	28 060
Corporation for Public Deposits	**3 311**	3 168	**–**	–
South African Bank Note Company (RF) Proprietary Limited	**25 514**	24 973	**24 000**	24 000
South African Mint Company (RF) Proprietary Limited	**5 298**	4 711	**4 553**	4 060
Other income	**1 716 434**	1 625 913	**594**	575
African Bank Limited (equity accounted, not consolidated)	**594**	575	**594**	575
South African Bank Note Company (RF) Proprietary Limited	**1 247 879**	1 228 186	**–**	–
South African Mint Company (RF) Proprietary Limited	**467 961**	397 152	**–**	–
Cost of new currency	**1 715 840**	1 625 338	**1 715 840**	1 625 338
South African Bank Note Company (RF) Proprietary Limited	**1 247 879**	1 228 186	**1 247 879**	1 228 186
South African Mint Company (RF) Proprietary Limited	**467 961**	397 152	**467 961**	397 152
Recovery of foreign exchange losses				
South African Bank Note Company (RF) Proprietary Limited	**–**	–	**–**	–
Pension fund contributions				
South African Reserve Bank Retirement Fund	**249 463**	251 454	**222 064**	225 678

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

(1) Refer to note 28 for events that occurred subsequent to the reporting date.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

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 R229.5 million (2019: R162.0 million) was held on behalf of the SARB.

34.7 Directors' remuneration

	GROUP		SARB	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Paid by SARB				
Executive directors: Remuneration				
Governor E L Kganyago				
Remuneration and recurring fringe benefits	**7 707**	7 363	**7 707**	7 363
Other fringe benefits	**147**	147	**147**	147
	7 854	7 510	**7 854**	7 510
Deputy Governor A D Mminele (term ended 30 June 2019)				
Remuneration and recurring fringe benefits	**1 342**	5 303	**1 342**	5 303
Other fringe benefits	**14**	60	**14**	60
Severance (including cooling-off period payment up to 31 December 2019)	**2 928**	–	**2 928**	–
	4 284	5 363	**4 284**	5 363
Deputy Governor F E Groepe (resigned 31 January 2019)				
Remuneration and recurring fringe benefits	**–**	4 408	**–**	4 408
Other fringe benefits	**–**	49	**–**	49
Severance (including cooling-off period payment up to 31 July 2019)	**7 308**	6 325	**7 308**	6 325
	7 308	10 782	**7 308**	10 782
Deputy Governor K Naidoo				
Remuneration and recurring fringe benefits	**5 506**	5 262	**5 506**	5 262
Other fringe benefits	**2**	2	**2**	2
	5 508	5 264	**5 508**	5 264
Deputy Governor N Tshazibana (appointed 01 August 2019)				
Remuneration and recurring fringe benefits	**3 733**	–	**3 733**	–
Other fringe benefits	**7**	–	**7**	–
	3 740	–	**3 740**	–
Deputy Governor R I Cassim (appointed 01 August 2019)				
Remuneration and recurring fringe benefits	**3 725**	–	**3 725**	–
Other fringe benefits	**16**	–	**16**	–
	3 741	–	**3 741**	–
Total remuneration of executive directors	**32 435**	28 919	**32 435**	28 919
Non-executive directors: Remuneration for services				
B W Smit	**157**	438	**157**	438
C B du Toit	**455**	438	**455**	438
D Konar	**166**	159	**166**	159
F Cachalia	**607**	575	**607**	575
G M Ralfe	**562**	549	**562**	549
L H Molebatsi (appointed 01 April 2019)	**480**	–	**480**	–
N Vink	**401**	383	**401**	383
R J G Barrow	**1 186**	1 161	**629**	596
R le Roux	**433**	390	**433**	390
T Nombembe	**528**	500	**528**	500
V J Klein	**–**	177	**–**	177
Y G Muthien	**528**	285	**528**	285
Z Hoosen (appointed 29 July 2019)	**328**	–	**328**	–
Total remuneration of non-executive directors	**5 831**	5 055	**5 274**	4 490
Total remuneration of directors	**38 266**	33 974	**37 709**	33 409

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF THE SOUTH AFRICAN RESERVE BANK ON THE PRUDENTIAL AUTHORITY

OPINION

We have audited the financial statements of the Prudential Authority (the PA), set out on pages 92 to 93, which comprise the statement of financial position as at 31 March 2020, 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 2020 have been prepared, in all material respects, in accordance with the basis of accounting described in the Basis of preparation section of the Prudential Authority annual financial statements and the requirements of Section 55(b) read with Section 55(2) 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We are independent of the PA in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

EMPHASIS OF MATTER – BASIS OF ACCOUNTING

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and presentation of the financial statements in accordance with the basis of accounting described in the Basis of preparation section of the Prudential Authority annual financial statements and the requirements of section 55 of the Financial Sector Regulation Act No.9 of 2017. The 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 judgment 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

22 June 2020

SizweNtsalubaGobodo Grant Thornton Inc.

SizweNtsalubaGobodo Grant Thornton Inc.
Director: Pravesh Hiralall

Registered Auditor
20 Morris Street East
Woodmead
2191

22 June 2020

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 PA which can be found at https://www.resbank.co.za/Publications/Reports/Pages/Annual-Reports.aspx for more detail.

Impact of the COVID-19 pandemic

In addition to the actions taken by SARB on deploying monetary policy tools to mitigate the impact of COVID-19 pandemic, the PA provided relief measures as well as guidance to banks in managing the crisis. The regulatory relief measures were provided for in three areas, namely capital relief on restructured loans that were in good standing before the COVID-19 pandemic, a lower liquidity coverage ratio (LCR) and lower capital requirements.

Basis of preparation

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

Statement of financial position at 31 March 2020

		PRUDENTIAL AUTHORITY	
	Notes	**2020 R'000**	2019 R'000
Assets			
Other assets		**73 194**	71 099
Total assets		**73 194**	71 099
Liabilities			
Amounts due to insurance companies		**98**	113
Other liabilities		**2 221**	111
Unclaimed balances		**70 875**	70 875
Total liabilities		**73 194**	71 099

Statement of comprehensive income for the year ended 31 March 2020

	Notes	**2020 R'000**	2019 R'000
Operating income		**6 719**	6 455
Levies	1	**–**	–
Fees	2	**6 541**	6 455
Penalties	3	**25**	–
Other operating Income		**153**	–
Expenditure		**(338 737)**	(324 295)
Personnel costs	4	**(246 353)**	(207 089)
Operational costs	4	**(92 385)**	(117 206)
Amount funded by SARB	5	**332 018**	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 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 R1.0 million (2019: R12.8 million).

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

	PRUDENTIAL AUTHORITY	
	2020 R'000	2019 R'000
Operating costs include:	**92 385**	117 206
Travel expenses (foreign and local)	**14 970**	14 111
Official functions	**3 119**	3 207
Professional fees	**65 148**	92 286
Training cost (foreign and local)	**4 501**	3 876
Membership fees	**1 833**	2 000
Other operating costs	**2 814**	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

ABHL: African Bank Holdings Limited

ABL: African Bank Limited

AGM: annual Ordinary General Meeting

AI: Artificial intelligence

BIS: Bank for International Settlements

BREC: Board Risk and Ethics Committee

CA: Combined assurance

CFO: Chief Financial Officer

CLF: Committed liquidity facility

CPD: Corporation for Public Deposits

CPD Act: Corporation for Public Deposits Act 46 of 1984

ECL: Expected credit loss

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

FEC: Forward exchange contract

FSR: Financial Stability Review

FSR Act: Financial Sector Regulation Act 9 of 2017

FVOCI: Fair value through other comprehensive income

FVPL: Fair value through profit or loss

GEC: Governors' Executive Committee

GFECRA: Gold and Foreign Exchange Contingency Reserve Account

I&T: Information and technology

IAD: Internal Audit Department

IAS: International Accounting Standard

IAS 39: IAS 39 Financial Instruments: Recognition and Measurement

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

IFRIC: International Financial Reporting Interpretations Committee

IFRS: International Financial Reporting Standards

IFRS 7: IFRS 7 Financial Instruments Disclosures

IFRS 9: IFRS 9 Financial Instruments

IFRS 16: IFRS 16 Leases

IGCC: Inter-Governmental Cash Coordination

IMF: International Monetary Fund

Inc.: Incorporated

IOSROs: Intraday Overnight Supplementary Repurchase Operations

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

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

Moody's: Moody's Investors Services

MPC: Monetary Policy Committee

OCI: Other comprehensive income

PA: Prudential Authority

PEB remeasurement reserve: Post-employment benefit remeasurement reserve

PPE revaluation reserve: Property, plant and equipment revaluation reserve

Prestige Bullion: Prestige Bullion (RF) Proprietary Limited

Repo: Repurchase agreements

Repo rate: Repurchase rate

RF: Ring Fenced

ABBREVIATIONS continued

SA government: South African government

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

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

SARB debentures: South African Reserve Bank debentures

SDR: Special Drawing Rights

SICR: Significant increase in credit risk

SNG Grant Thornton: SizweNtsalubaGobodo Grant Thornton Inc.

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

SPPI: Solely payments of principal and interest

the Board: Board of Directors of the SARB

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

the SARB: The South African Reserve Bank

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STUDIO 5

SOUTH AFRICAN RESERVE BANK

www.resbank.co.za