SOUTH AFRICAN RESERVE BANK

SOUTH AFRICAN RESERVE BANK
ANNUAL FINANCIAL STATEMENTS 2021/22

POLICYMAKING
FOR THE LONG TERM

CONTENTS

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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 **Clivia Ulland**, the Assistant Secretary of the SARB, at **Clivia.Ulland@resbank.co.za**

Directors' report

for the year ended 31 March 2022

Introduction

The directors are pleased to present to stakeholders this report on the activities and financial results of the South African Reserve Bank (the SARB), including its subsidiaries and associate (the Group), for the year under review. The SARB's annual report, issued in terms of the South African Reserve Bank Act 90 of 1989, as amended (SARB Act), and its Regulations, addresses the performance of the Group and its compliance with relevant statutory information requirements.

It is the responsibility of the directors to prepare the consolidated and separate Group annual financial statements (financial statements) and related financial information that presents 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 disclosures and are based on accounting policies that have been consistently applied, except as specified in note 1, and which are supported by reasonable judgements and estimates.

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

The directors have considered the impact of COVID-19 and the Russia-Ukraine conflict on the going concern of the Group and concluded that they have no material impact on the going concern assumption.

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

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

Nature of business

The SARB is the central bank of South Africa and is regulated in terms of the SARB Act. Its primary objective is to protect the value of the currency in the interest of balanced and sustainable economic growth. In pursuit of price and financial stability, the SARB performs the key activities set out on page 5 of the annual report.

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

Subsidiaries

The subsidiaries of the SARB are:

- The South African Mint Company (RF) Proprietary Limited (South African Mint), which produces circulation and collectable coins, and its subsidiary Prestige Bullion (RF) Proprietary Limited (Prestige Bullion), which produces bullion coins.
- The South African Bank Note Company (RF) Proprietary Limited (SABN), which produces notes.
- The Corporation for Public Deposits (CPD), which receives and invests call deposits from the SA government and public entities. The SARB has re-issued a guarantee in favour of the CPD of R1.2 billion for all amounts required by it for the due performance of its obligations under the Corporation for Public Deposits Act 46 of 1984 (CPD Act). This guarantee is a continuing covering security and will remain in force until 11 June 2023.
- The Corporation for Deposit Insurance (CODI) was formally established through the promulgation of the Financial Sector Laws Amendment Act 23 of 2021. CODI provides deposit insurance and carries out its functions to support the SARB in fulfilling its objective of, and responsibility for, protecting and maintaining financial stability.

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

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

Associate

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

In the prior financial year, a shareholder support transaction was concluded in terms of which the SARB will provide a collateralised loan of up to R4.0 billion over a period of four years to ABL in accordance with Section 10(1)(f) of the SARB Act. The remaining shareholders will subscribe to domestic medium-term notes (DMTN) in ABL according to the respective pro rata shareholding in ABHL. The SARB will avail R1.0 billion each year to ABL and will advance the funds to ABL at the same time as the other shareholders subscribe to DMTNs. The loan is secured by a cession in security of a portion of ABL's customer loan portfolio, with a collateral cover ratio of 111.00%. The facility remained undrawn at 31 March 2022.

Information on the SARB's financial interest in its associate is provided in note 34.3.

Achievement of objectives

The annual report covers the SARB's achievements against its strategic objectives, which can be found on pages 17 to 25.

Financial results

The significant movement in the yields in the markets where the SARB invests the foreign exchange reserves had a negative effect on the SARB's investment income.

The net investment income of the SARB, derived mainly from foreign investments and accommodation to banks, decreased by R5.5 billion to R2.8 billion (2021: R6.0 billion decrease to R8.3 billion). Operating costs increased by R0.3 billion to R7.1 billion (2021: R0.8 billion decrease to R6.8 billion). The net result of these factors was a loss after taxation of R2.0 billion (2021: R1.7 billion profit) for the year ended 31 March 2022.

The South African Mint (including Prestige Bullion) made a profit after taxation of R0.4 billion (2021: R0.3 billion) attributable to the Group and declared a dividend of R0.7 billion (2021: Rnil) to the SARB. Refer to note 34 for further detail.

SABN made a profit after taxation of R0.2 billion (2021: R0.1 billion) attributable to the Group, mainly due to higher banknote sales and an improvement in the recovery of overheads. Refer to note 34 for further detail.

The CPD made a profit after taxation of R0.5 billion (2021: R1.5 billion). The prior year higher profit was attributable to a reversal of expected credit loss allowance of R1.5 billion. For the year ended 31 March 2022, there was no amount due to the SA government (2021: Rnil) in accordance with the CPD Act. Refer to note 34 for further detail.

ABHL made a profit after taxation of R0.2 billion (2021: R0.1 billion) attributable to the Group. An impairment loss of R0.2 billion (2021: R0.1 billion), limited to the Group's share of profit for the year, was recognised for the Group with no impairment for the SARB (2021: Rnil). The directors have noted the improved profitability of ABHL, as announced in their interim results presentation in May 2022, and will continue to monitor the performance of the associate. Refer to note 34.3 for further detail.

Financial position

The SARB's total assets increased by R69.9 billion to R962.8 billion (2021: R170.2 billion decrease to R892.9 billion), largely due to increases in gold and foreign exchange reserves of R63.9 billion, accommodation to banks of R4.6 billion.

The total assets of the South African Mint (including Prestige Bullion) decreased by R0.2 billion to R2.1 billion (2021: R0.2 billion increase to R2.3 billion), attributable to lower call deposit investments.

SABN's total assets increased by R0.2 billion to R2.6 billion (2021: R0.1 billion increase to R2.4 billion), attributable to higher call deposit investments.

The CPD's total assets increased by R9.5 billion to R92.0 billion (2021: R12.7 billion increase to R82.5 billion), largely as a result of higher cash and cash equivalents. During the prior financial year, the counterparty defaulted on its promissory notes which resulted in the recognition of a fair value loss. As at 31 March 2021, the outstanding nominal value of the debt was R0.9 billion. In addition to the capital repayments of R0.2 billion that the counterparty made the during the current financial year, a capital repayment of R0.2 billion was received during May 2022. The directors are monitoring communication from the counterparty on the possible restructure of the debt.

The total liabilities of the SARB increased by R71.5 billion to R939.0 billion (2021: R171.8 billion decrease to R867.4 billion) largely due to increases in deposit accounts of R68.7 billion and R1.0 billion in other liabilities.

The total liabilities of the South African Mint (including Prestige Bullion) increased by R0.2 billion to R0.8 billion (2021: R0.2 billion decrease to R0.6 billion), mainly attributable to an increase in trade payables.

SABN's total liabilities have remained consistent from the prior financial year (2021: R0.1 billion increase to R0.6 billion).

The CPD's total liabilities increased by R9.1 billion to 92.6 billion (2021: R11.1 billion increase to R83.5 billion), largely due to an increase in deposits of R10.2 billion, offset by a decrease of R1.0 billion in other liabilities.

The SARB's contingency reserve decreased by R2.0 billion to R19.6 billion (2021: R1.6 billion increase to R21.7 billion) due to a release of contingency reserves in order to absorb the loss after tax of R2.0 billion for the current financial year.

Further details on the Group's financial information for the year can be found on page 11.

Impact of the COVID-19 pandemic

The COVID-19 pandemic continues to have a lasting and detrimental effect on the economy and has had a significant impact on the SARB's functions and operations. Throughout the financial year, the SA government continued to impose varying levels of lockdown to mitigate the spread of the virus. The SARB's employees have adjusted to the new ways of work, with the majority of the workforce continuing to work remotely.

The SARB has ensured that all critical functions and activities continue to operate. The measures taken by the SARB to mitigate COVID-19 related risks include:

- Continuous support provided to equip employees to comply with pandemic-related regulations. Productivity is monitored to ensure business continuity.
- The Joint Operations Centre continues to provide critical support and directives aligned to the Department of Health's COVID-19 Guidelines.

- Meeting the demand for information and communications technology equipment to support remote work. The back-up power requirements for essential staff were identified and addressed to minimise the impact of load shedding (power outages).
- The SARB continues to enhance its cybersecurity measures using various technologies for remote working capabilities, including policy and procedure development, security assessments, security design work and the roll out of training and targeted awareness initiatives.

The National State of Disaster was lifted in April 2022. Going forward, the pandemic will be managed in terms of the National Health Act 61 of 2003. 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 (reserves). As per the SARB Act a total dividend at the rate of 10.00% per annum on the paid-up share capital of the SARB was paid as follows:

- an interim dividend of five cents per share was approved by the Board of Directors on 29 September 2021 and paid to shareholders on 27 October 2021; and
- the final dividend of five cents per share was approved by the Board of Directors on 24 February 2022 and paid to shareholders on 18 May 2022.

The total dividend paid for the financial year was R0.2 million (2021: R0.2 million).

Directors

The composition of the Board at 31 March 2022 is reported on pages 30 to 33 of the annual report.

At the annual Ordinary General Meeting (AGM) held on 31 July 2021, the term of office of Y (Yvonne) Muthien expired. Dr Muthien being eligible for nomination and re-election was re-elected as the non-executive director with knowledge and skills in commerce or finance. Dr Muthien's appointment was effective from 31 July 2021 until the day after the AGM in 2024.

In terms of section 6(1)(b) read with section 6(2)(b) of the SARB Act, the Board had appointed S (Shamima) Gaibie with skills and knowledge in the field of labour and N B (Norman) Mbazima with skills and knowledge in the field of mining to fill two casual vacancies on the Board for a period of one year.

Both Ms Gaibie and Mr Mbazima were eligible for nomination and election by the shareholders in 2021.

Ms Gaibie was duly elected by the shareholders as the non-executive director with knowledge and skills in the field of labour and her appointment was effective from 31 July 2021 until the day after the AGM in 2024.

Mr Mbazima was duly elected as the non-executive director with skills and knowledge in the field of mining and his appointment was effective from 31 July 2021 until the day after the AGM in 2024.

The terms of office of C B (Charlotte) Buitendag (previously du Toit) and Z (Zoaib) Hoosen, as non-executive directors with knowledge and skills in industry; and N (Nicholas) Vink as a non-executive director with knowledge and skills in agriculture, will expire at the 2022 AGM. At that date, Prof Buitendag and Prof Vink would have completed two terms of office and Mr Hoosen would have completed his first term of office. All three incumbents are eligible and available for re-election by the shareholders for another term of three years.

The term of office of F (Firoz) Cachalia, as a SA government appointed non-executive director, had expired on 17 July 2021. Prof Cachalia had served three-terms and was no longer eligible for re-appointment. The position has since been filled.

Furthermore, the term of office of L H (Lerato) Molebatsi, who is a SA government appointed non-executive director, expired in April 2022, and the SA government has re-appointed Ms Molebatsi with effect from 1 June 2022, for a further term of three years.

As at 31 March 2022 and to date, none of the directors in office held any direct or indirect shareholding in the SARB. Directors' fees for services rendered during the reporting year are disclosed in note 34.6.

Events after the reporting date

CPD GUARANTEE

On 16 May 2022, the GEC approved an extension to the financial guarantee issued by the SARB to the CPD for a further 12 months to 11 June 2023 as a result of the continued technical insolvency position of the CPD. The guarantee was reduced from R3.5 billion to R1.2 billion due to the reduced accumulated losses in CPD in the current financial year.

SOUTH AFRICAN MINT DIVIDEND

The South African Mint board declared a dividend of R94.1 million to the SARB on 20 May 2022.

No other material events occurred between 31 March 2022 and 9 June 2022 requiring disclosure in, or adjustment to, the financial statements for the year ended 31 March 2022.

Assistant Secretary of the SARB

C (Clivia) Ulland

Registered office

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370 Helen Joseph Street
Pretoria 0002

Postal address:
PO Box 427
Pretoria 0001

The Board approved the financial statements on 9 June 2022, signed on its behalf by:

E L (Lesetja) Kganyago
Governor

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

R (Reshoketswe) Ralebepa
Group Chief
Financial Officer

C (Clivia) Ulland
Assistant Secretary
of the SARB

Statement by the Assistant Secretary of the SARB

In my capacity as Assistant 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 2022, have been completed and are up to date.

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

C (Clivia) Ulland*
Assistant Secretary of the SARB

9 June 2022

* *As a result of the passing of the Secretary of the SARB, Mr H (Hulisani) Murovhi, on 9 June 2022 the financial statements have been signed by the Assistant Secretary of the SARB.*

Report of the Audit Committee

for the year ended 31 March 2022

Introduction

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

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

The SARB's executive management, internal auditors, external auditors and other assurance providers attended all the Audit Committee meetings in an ex officio capacity. Management and internal and external auditors met independently with the Audit 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) with respect to the preparation of the Annual Financial Statements. 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 approach, in line with King IV™, to increase the effectiveness of assurance activities by the functionaries within the three lines of assurance. The combined assurance model has been subjected to ongoing enhancements and has reached a high level of maturity, ensuring regular interaction, alignment of assessment methodologies, and effective and integrated dashboard-based reporting across the three lines of assurance. The Combined Assurance Forum ensures ongoing review of the approach, model and processes, as well as regular discussions, information sharing and coordination of efforts between the respective assurance providers. This approach contributes significantly towards an effective control environment and supports the integrity of information used for internal decision-making by management, the Board and its committees. Based on reports submitted by the three lines of assurance and the Combined Assurance Forum, the committee considers the adopted combined assurance approach to be adequate, effective and aligned to good practices, to ensure the achievement of the said objective of effective assurance activities across the Group.

Financial statements

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

Internal audit

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

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

External audit

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

Non-audit services

The Audit Committee is responsible for approving the SARB policy on the provision of non-audit services by the SARB external auditors. The SARB policy on the award of non-audit services to the external auditors is used by the Audit Committee as the primary reference point in setting and approving the limits for such awards. The non-audit services limits are set at levels that safeguard the external auditors' independence, to ensure that such non-audit services do not create a public perception of a conflict of interest for the external auditors.

The awarding of non-audit services to external auditors and their networks is delegated for approval by the Financial Services Department of the SARB, only to the extent of the limits that are set and approved by the Audit Committee. Any non-audit services in excess of the limits set and approved by the Audit Committee cannot be awarded to the external auditors without prior approval by the Audit Committee.

During the 2022 financial reporting period, it was identified that with regard to PricewaterhouseCoopers (PwC), the requirements of the non-audit policy had not been adhered to in relation to the prescribed limits set, and the requirement to obtain pre-approval from the Audit Committee in instances where the limits are exceeded was not complied with.

The non-audit services carried out by PwC relate to the forensic investigation into the alleged contravention of the Exchange Control Regulations of 1961. PwC Advisory Services (Pty) Ltd was appointed by Gildenhuys Malatji Incorporated (GMI) to investigate the alleged contravention of the regulations after GMI was appointed by the SARB to conduct the forensic investigation. As the assigned work required specialist forensic skills and expertise, GMI appointed an independent third party – PwC – to conduct the investigation.

To date (June 2022), PwC has billed R37.5 million (R0.5 million for 2021, R30.9 million for 2022 and R6.1 million for 2023). It is anticipated that a further R28 million may be billed in the period from May 2022 to March 2023. This will bring the total fees relating to the non-audit services by PwC, spanning three financial years (2021, 2022 and 2023) to R65.5 million. This excludes disbursements and VAT. The R65.5 million non-audit fees are in excess of the limit that was set and approved by the Audit Committee for PwC investigative work of R22 million (R10 million for 2021, R12 million for 2022 and Rnil for 2023). The audit fees that are anticipated to be paid to PwC, during the same financial period (2021 to 2023), is about R27 million. This is the scenario that the Audit Committee seeks to avoid through the non-audit services policy, to ensure that non-audit services do not create a public perception of a conflict of interest for the SARB external auditors.

However, given the nature and scope of the investigative services performed by PwC and the safeguards applied by PwC, the Audit Committee is satisfied that the provision of the non-audit services did not affect PwC's professional judgement or integrity in respect of the audit of the SARB. Mitigating actions have also been taken by PwC to ensure that, in future, all authorisation for services' forms, especially where there are subcontracting arrangements, are submitted to the respective engagement leaders prior to the commencement of work and prior to the allocated non-audit services cap being exceeded.

The SARB will also implement sufficient mitigation actions to reinforce the controls around the provision of non-audit services by external auditors, including additional clarification to the non-audit services policy, independence training and improved communication between relevant parties within the SARB that engage consultants to provide non-audit services.

Compliance

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

Information and technology

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

The Audit Committee notes the rapidly growing technology footprint within the Bank through the ongoing execution of large transformation projects and the replacement of legacy systems in line with the SARB's strategic objectives. Consequently, focus has been placed on continuous improvement in I&T Governance, Risk and Compliance.

Whistle-blowing

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

T (Terence) Nombembe
Chairperson of the Audit Committee

Financial reporting framework

Reporting framework

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

The SARB Act is not prescriptive regarding the accounting framework that the SARB should adopt, except for sections 25 to 28, which deal with the accounting treatment of gold and foreign exchange transactions. These sections are in conflict with International Financial Reporting Standards (IFRS). The SARB has chosen to use IFRS, including International Financial Reporting Interpretations Committee interpretations, 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 Standards (IAS) 21 The Effects of Changes in Foreign Exchange Rates*; and
    b. gold is valued in terms of section 25 of the SARB Act at the statutory gold price. Gold has been recognised as a financial asset of the SARB.

Presentation

In the financial statements,

1. not all information as required by *IFRS 7 Financial Instruments Disclosures* 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 11 to 99, which comprise the consolidated and separate statement of financial position as at 31 March 2022, and the consolidated and separate statement of profit or loss and other comprehensive income, the consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements of the SARB for the year ended 31 March 2022 are prepared, in all material respects, in accordance with the basis of accounting described in Note 1 to the consolidated and separate financial statements and the requirements of the South African Reserve Bank Act 90 of 1989 (the SARB Act).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "South African Reserve Bank Annual Financial

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Chief Executive Officer: L S Machaba
The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4950174682.

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Victor Sekese [Chief Executive]
A comprehensive list of all Directors is available at the company offices or registered office
SizweNtsalubaGobodo Grant Thornton Incorporated Registration Number: 2005/034639/21

Statements 2021/22" and the document titled "South African Reserve Bank Annual Report 2021/22". 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 the Directors for the Consolidated and Separate Financial Statements

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

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

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

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

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

- 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's 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's and SARB's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group's 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 the directors.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated 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: Lumko Sihiya
Registered Auditor
Johannesburg, South Africa
13 June 2022

SizweNtsalubaGobodo Grant Thornton Inc.

SizweNtsalubaGobodo Grant Thornton Inc.
Director: Pravesh Hiralall
Registered Auditor
Johannesburg, South Africa
13 June 2022

Consolidated and separate statement of financial position

as at 31 March 2022

		GROUP		SARB	
	Notes	**2022 R'000**	2021 R'000	**2022 R'000**	2021 R'000
Assets					
Cash and cash equivalents	2	**22 432 682**	38 400 725	**–**	–
Amounts due by Group companies	34.4	**–**	–	**3 027**	–
Accommodation to banks	3	**49 505 127**	44 861 737	**49 505 127**	44 861 737
Investments	4	**5 311 833**	6 301 443	**–**	–
Other assets	5	**3 634 077**	3 293 963	**3 497 297**	3 149 667
Gold and foreign exchange reserves	6	**842 837 114**	778 937 661	**842 837 114**	778 937 661
Inventories	7	**1 347 265**	1 175 609	**6 001**	4 239
Forward exchange contract assets	8	**75 977**	72 082	**75 977**	72 082
Loans and advances	9	**12 080 901**	13 726 181	**12 072 291**	13 726 181
Current taxation receivable	24	**1 442 311**	693 631	**1 442 311**	693 631
South African government bonds	10	**40 503 364**	39 266 475	**40 503 364**	39 266 475
Equity investment in Bank for International Settlements	11	**4 954 367**	5 051 813	**4 954 367**	5 051 813
Investments in subsidiaries	34.1	**–**	–	**1 011 000**	1 011 000
Investment in associate	34.3	**3 467 000**	3 467 000	**3 467 000**	3 467 000
Property, plant and equipment	12	**3 627 955**	3 082 847	**2 074 404**	1 543 236
Intangible assets	13	**896 532**	1 123 608	**865 432**	1 086 775
Deferred taxation assets	14	**443 871**	–	**443 871**	–
Total assets		**992 560 376**	939 454 775	**962 758 583**	892 871 497
Liabilities					
Notes and coin in circulation	15	**171 097 062**	168 338 965	**171 097 062**	168 338 965
Deposit accounts	16	**383 246 937**	304 270 490	**291 647 393**	222 908 759
Amounts due to Group companies	34.4	**–**	–	**64 709 782**	38 352 704
Foreign deposits	17	**85 143 409**	93 284 583	**85 143 409**	93 284 583
Other liabilities	18	**4 844 373**	4 834 941	**4 031 188**	3 057 432
South African Reserve Bank debentures	19	**3 806 503**	15 010 035	**3 806 503**	15 010 035
Forward exchange contract liabilities	8	**1 816 178**	7 896 061	**1 816 178**	7 896 061
Current taxation payable	24	**13 022**	9 456	**–**	–
Deferred taxation liabilities	14	**181 220**	626 589	**–**	437 982
Post-employment benefits	20	**2 657 436**	2 775 083	**2 452 232**	2 569 623
Gold and Foreign Exchange Contingency Reserve Account	21	**314 283 429**	315 584 260	**314 283 429**	315 584 260
Total liabilities		**967 089 569**	912 630 463	**938 987 176**	867 440 404
Capital and reserves					
Share capital	22	**2 000**	2 000	**2 000**	2 000
Accumulated profit		**1 571 365**	1 227 540	**–**	–
Statutory reserve		**458 526**	458 526	**458 526**	458 526
Contingency reserve		**19 642 314**	21 678 105	**19 642 314**	21 678 105
Bank for International Settlements revaluation reserve		**3 111 953**	2 998 586	**3 111 953**	2 998 586
Property plant and equipment revaluation reserve		**122 936**	86 897	**122 936**	86 897
Post-employment benefit remeasurement reserve		**478 278**	240 670	**433 678**	206 979
Non-controlling interest	34.1	**83 435**	131 988	**–**	–
Total capital and reserves		**25 470 807**	26 824 312	**23 771 407**	25 431 093
Total liabilities, capital and reserves		**992 560 376**	939 454 775	**962 758 583**	892 871 497

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

for the year ended 31 March 2022

		GROUP		SARB	
	Notes	**2022 R'000**	2021 R'000	**2022 R'000**	2021 R'000
Interest revenue	32	**3 352 624**	4 901 911	**1 942 579**	2 133 864
Interest revenue from fair value items	32	**3 882 239**	3 587 500	**3 813 506**	3 347 870
Interest expense	32	**(3 695 217)**	(5 623 029)	**(2 506 169)**	(2 918 514)
Net interest revenue		**3 539 646**	2 866 382	**3 249 916**	2 563 220
Fair value (losses)/gains	32	**(293 124)**	5 485 066	**(459 844)**	5 737 484
Dividend income	32	**93 815**	–	**766 415**	(200)
Operating income	23.1	**4 953 122**	5 420 767	**569 231**	922 984
Total income	23.1	**8 293 459**	13 772 215	**4 125 718**	9 223 488
Movement in credit loss allowance		**79 544**	1 506 608	**18 040**	(41 595)
Operating costs	23.2	**(10 537 542)**	(10 611 614)	**(7 141 740)**	(6 812 718)
Share of net profit of associate accounted for using the equity method		**228 447**	118 525	**–**	–
Impairment loss on investment in associate		**(228 447)**	(118 525)	**–**	–
(Loss)/profit before taxation		**(2 164 539)**	4 667 209	**(2 997 982)**	2 369 175
Taxation	24	**672 620**	(903 062)	**962 391**	(691 421)
(Loss)/profit for the year		**(1 491 919)**	3 764 147	**(2 035 591)**	1 677 754
Attributable to:					
The parent		**(1 691 766)**	3 594 629		
Non-controlling interest	34.1	**199 847**	169 518		
		(1 491 919)	3 764 147		
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Net gains on investments in equity instruments designated at fair value through other comprehensive income[1]		**105 170**	261 954	**105 170**	261 954
Revaluation adjustments of property, plant and equipment[1]		**44 825**	9 454	**44 825**	9 454
Remeasurement of post-employment benefits[1]		**320 912**	(278 622)	**306 609**	(270 952)
Taxation[1]		**(83 893)**	17 219	**(80 499)**	15 071
Other comprehensive income for the year after taxation		**387 014**	10 004	**376 105**	15 527
Total comprehensive (loss)/income for the year		**(1 104 905)**	3 774 151	**(1 659 486)**	1 693 281
Attributable to:					
The parent		**(1 304 752)**	3 604 633		
Non-controlling interest	34.1	**199 847**	169 518		
Total comprehensive (loss)/income		**(1 104 905)**	3 774 151		

[1] *The disclosure has been updated to reflect the gross movement and the related taxation separately for current and comparative figures to provide more relevant information.*

Consolidated and separate statement of cash flows

for the year ended 31 March 2022

		GROUP		SARB	
	Notes	**2022 R'000**	2021 R'000	**2022 R'000**	2021 R'000
Net cash flows (utilised by)/generated from operating activities					
Net cash flows (utilised by)/generated from operations	26	**(13 380 682)**	21 143 517	**2 087 454**	3 652 594
Interest received	32	**3 352 624**	4 901 911	**1 942 579**	2 133 864
Interest paid	32	**(3 695 217)**	(5 623 029)	**(2 506 169)**	(2 918 514)
Taxation received	24	**–**	311	**–**	–
Taxation paid	24	**(1 031 089)**	(2 481 206)	**(734 104)**	(2 294 994)
Dividends paid		**(248 600)**	(200 200)	**(200)**	(200)
Net cash flows (utilised by)/generated from operating activities		**(15 002 964)**	17 741 304	**789 560**	572 750
Net cash flows generated from/(utilised by) investing activities					
Purchase of property, plant and equipment	12	**(978 608)**	(393 681)	**(804 027)**	(281 821)
Proceeds on disposal of property, plant and equipment	23.2	**109 714**	157	**107 146**	155
Purchase of intangible assets	13	**(96 185)**	(299 090)	**(92 679)**	(291 084)
Net disposal of investments		**–**	815 439	**–**	–
Net cash flows (utilised by) investing activities		**(965 079)**	122 825	**(789 560)**	(572 750)
Total cash and cash equivalents movement for the year		**(15 968 043)**	17 864 129	**–**	–
Cash and cash equivalents at the beginning of the year	2	**38 400 725**	20 536 596	**–**	–
Total cash and cash equivalents at the end of the year	2	**22 432 682**	38 400 725	**–**	–

Consolidated statement of changes in equity: Group

for the year ended 31 March 2022

	Share capital R'000	Accumulated (loss)/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	Non-controlling interest R'000	Total R'000
Balance at 31 March 2020	2 000	(689 335)	450 138	20 084 429	2 795 310	79 561	441 278	23 163 381	162 470	23 325 851
Total comprehensive income/(loss) for the year	–	3 594 629	–	–	203 276	7 336	(200 608)	3 604 633	169 518	3 774 151
Profit for the year	–	3 594 629	–	–	–	–	–	3 594 629	169 518	3 764 147
Other comprehensive income/(loss)	–	–	–	–	203 276	7 336	(200 608)	10 004	–	10 004
Dividends paid	–	(200)	–	–	–	–	–	(200)	(200 000)	(200 200)
Transfer (from)/to reserves	–	(1 602 064)	8 388	1 593 676	–	–	–	–	–	–
Transfer to SA government	–	(75 490)	–	–	–	–	–	(75 490)	–	(75 490)
Balance at 31 March 2021	**2 000**	**1 227 540**	**458 526**	**21 678 105**	**2 998 586**	**86 897**	**240 670**	**26 692 324**	**131 988**	**26 824 312**
Total comprehensive (loss)/income for the year	**–**	**(1 691 766)**	**–**	**–**	**113 367**	**36 039**	**237 608**	**(1 304 752)**	**199 847**	**(1 104 905)**
(Loss)/profit for the year	**–**	**(1 691 766)**	**–**	**–**	**–**	**–**	**–**	**(1 691 766)**	**199 847**	**(1 491 919)**
Other comprehensive income	**–**	**–**	**–**	**–**	**113 367**	**36 039**	**237 608**	**387 014**	**–**	**387 014**
Dividends paid	**–**	**(200)**	**–**	**–**	**–**	**–**	**–**	**(200)**	**(248 400)**	**(248 600)**
Transfer to/(from) reserves	**–**	**2 035 791**	**–**	**(2 035 791)**	**–**	**–**	**–**	**–**	**–**	**–**
Balance at 31 March 2022	**2 000**	**1 571 365**	**458 526**	**19 642 314**	**3 111 953**	**122 936**	**478 278**	**25 387 372**	**83 435**	**25 470 807**

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 REVALUATION RESERVE

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

PROPERTY, PLANT AND EQUIPMENT REVALUATION RESERVE

Gains and losses arising from a change in fair value of artwork, included in property, plant and equipment (PPE), 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 REMEASUREMENT RESERVE

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

TRANSFER TO SA GOVERNMENT

In terms of section 24 of the SARB Act, nine-tenths of the surplus of the SARB, after provisions normally provided for by bankers and payment of dividends, has to be paid to SA government. For the year ended 31 March 2022 no profits (2021: R75 million) were 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 2022 no profits (2021: Rnil) were due to SA government by the CPD.

NON-CONTROLLING INTEREST

The group discloses non-controlling interest as a result of its 100.00% owned subsidiary (South African Mint) that owns 60.00% in Prestige Bullion.

Separate statement of changes in equity: SARB

for the year ended 31 March 2022

	Share capital R'000	Accumulated profit/(loss) R'000	Statutory reserve R'000	Contingency reserve R'000	BIS revaluation reserve R'000	PPE revaluation reserve R'000	PEB remeasure-ment reserve R'000	Total R'000
Balance at 31 March 2020	2 000	–	450 138	20 084 429	2 795 310	79 561	402 064	23 813 502
Total comprehensive income/(loss) for the year	–	1 677 754	–	–	203 276	7 336	(195 085)	1 693 281
Profit for the year	–	1 677 754	–	–	–	–	–	1 677 754
Other comprehensive income/(loss)	–	–	–	–	203 276	7 336	(195 085)	15 527
Dividends paid	–	(200)	–	–	–	–	–	(200)
Transfer (from)/to reserves	–	(1 602 064)	8 388	1 593 676	–	–	–	–
Transfer to SA government	–	(75 490)	–	–	–	–	–	(75 490)
Balance at 31 March 2021	**2 000**	**–**	**458 526**	**21 678 105**	**2 998 586**	**86 897**	**206 979**	**25 431 093**
Total comprehensive (loss)/income for the year	–	(2 035 591)	–	–	113 367	36 039	226 699	(1 659 486)
Loss for the year	–	(2 035 591)	–	–	–	–	–	(2 035 591)
Other comprehensive income	–	–	–	–	113 367	36 039	226 699	376 105
Dividends paid	–	(200)	–	–	–	–	–	(200)
Transfer to/(from) reserves	–	2 035 791	–	(2 035 791)	–	–	–	–
Balance at 31 March 2022	**2 000**	**–**	**458 526**	**19 642 314**	**3 111 953**	**122 936**	**433 678**	**23 771 407**

Separate statement of changes in equity: SARB continued

for the year ended 31 March 2022

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.

BANK FOR INTERNATIONAL SETTLEMENTS REVALUATION RESERVE

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

PROPERTY, PLANT AND EQUIPMENT 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 REMEASUREMENT RESERVE

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

TRANSFER TO SA GOVERNMENT

In terms of section 24 of the SARB Act, nine-tenths of the surplus of the SARB, after provisions normally provided for by bankers and payment of dividends, has to be paid to SA government. For the year ended 31 March 2022 no profits (2021: R75 million) were due to the SA government by the SARB.

1. Accounting policies

1.1 BASIS OF PREPARATION

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

These financial statements have been prepared on a going concern basis, in accordance with the SARB Act and the accounting policies set out in this note. The directors have considered the impact of COVID-19 on the going concern of the Group. While further waves of infection are expected, the start of vaccination programmes in many countries have lifted projections for global economic growth and significantly boosted confidence. Financial markets have generally improved and stabilised in line with stronger growth and expectations that policy settings in advanced economies will remain accommodative. The directors have also considered the impact of the Russia-Ukraine conflict. Although the Group has no direct exposure to Russia or Ukraine, the conflict continues to negatively impact financial markets in general. The impact is, however, not expected to be significant for the Group. The directors have concluded that the impact of the pandemic and the Russia-Ukraine conflict have no effect on the going concern of the SARB and its subsidiaries, although these matters will be continuously monitored and included in considerations for forward-looking information. The use of the going concern assumption is therefore deemed appropriate.

These financial statements have been prepared on the historical cost basis, except where the fair value basis was considered more appropriate.

These financial statements comprise the consolidated and separate statement of financial position as at 31 March 2022, consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year ended 31 March 2022, 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 accounts in relation to the Prudential Authority are required. The Prudential Authority financial accounts are included on pages 102 to 104.

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

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

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

1.2 NEW STANDARDS AND INTERPRETATIONS

1.2.1 NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

There are no new or amended standards applicable to the Group for the financial year ended 31 March 2022.

1.2.2 NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ADOPTED BY THE GROUP

Several new standards, amendments and interpretations are effective for annual periods beginning after 1 January 2022 and have not been early adopted in preparing these financial statements. The Group will adopt the new standards, amendments and interpretations in the relevant financial year in which they become effective. These are as follows:

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

Minor amendments relate to the update of references to the Conceptual Framework for Financial Reporting and the addition of an exception for the recognition of liabilities and contingent liabilities within the scope of *IAS 37 Provisions, Contingent Liabilities and Contingent Assets (IAS 37)* and *Interpretation 21 Levies*. The amendments also confirm that contingent assets should not be recognised at the acquisition date. The effective date of the amendment is for years beginning on or after 01 January 2022. It is unlikely that the amendment will have a material impact on the Group's financial statements.

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

The amendment clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract. The effective date of the amendment is for years beginning on or after 01 January 2022. It is unlikely that the amendment will have a material impact on the Group's financial statements.

1. Accounting policies continued

1.2 NEW STANDARDS AND INTERPRETATIONS CONTINUED

Amendments to IAS 12 Income Taxes – Deferred taxation related to assets and liabilities arising from a single transaction
The amendment adds an additional requirement for transactions which will not give rise to the recognition of a deferred taxation asset or liability on initial recognition. Previously, deferred taxation would not be recognised on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit or loss. The additional requirement provides that the transaction, at the time of the transaction must not give rise to equal taxable and deductible temporary differences. The effective date of the amendment is for years beginning on or after 01 January 2023. It is unlikely that the amendment will have a material impact on the Group's financial statements.

Disclosure of accounting policies: Amendments to IAS 1 Presentation of Financial Statements (IAS 1) and IFRS Practice Statement 2
IAS 1 was amended to require that only material accounting policy information shall be disclosed in the financial statements. The amendment will not result in changes to measurement or recognition of financial statement items, but management will perform a review of accounting policies to ensure that only material accounting policy information is disclosed. The effective date of the amendment is for years beginning on or after 01 January 2023. It is unlikely that the amendment will have a material impact on the Group's financial statements.

Definition of accounting estimates: Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
The definition of accounting estimates was amended so that accounting estimates are now defined as "monetary amounts in consolidated and separate annual financial statements that are subject to measurement uncertainty." The effective date of the amendment is for years beginning on or after 01 January 2023. It is unlikely that the amendment will have a material impact on the Group's financial statements.

Classification of Liabilities as Current or Non-Current – Amendment to IAS 1
The amendment changes the requirements to classify a liability as current or non-current. If an entity has the right at the end of the reporting period, to defer settlement of a liability for at least twelve months after the reporting period, then the liability is classified as non-current. If this right is subject to conditions imposed on the entity, then the right only exists, if, at the end of the reporting period, the entity has complied with those conditions. In addition, the classification is not affected by the likelihood that the entity will exercise its right to defer settlement. Therefore, if the right exists, the liability is classified as non-current even if management intends or expects to settle the liability within twelve months of the reporting period. Additional disclosures would be required in such circumstances. The effective date of the amendment is for years beginning on or after 01 January 2023. It is unlikely that the amendment will have a material impact on the Group's financial statements.

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

1.3 GROUP ACCOUNTING

1.3.1 SUBSIDIARIES

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

The acquisition method of accounting is used to account for subsidiaries. In the separate financial statements of the SARB, investments in subsidiaries are stated at cost less impairment. Where appropriate, the cost includes loans to subsidiaries with no repayment terms, where these are considered part of the investment in subsidiaries. Impairment on investments in subsidiaries is discussed in note 1.9.

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. Accounting policies continued

1.3 GROUP ACCOUNTING CONTINUED

1.3.2 ASSOCIATES

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

The Group initially recognises its investment in associate at cost and subsequently accounts for its share of the post-acquisition profits or losses of the associate in profit or loss, and the Group's share of movements in OCI of the associate in OCI. Dividends received or receivable from an associate are recognised as a reduction in the carrying amount of the investment. In the separate financial statements of the SARB, the investment in associate is accounted for at cost less allowance for impairment losses where appropriate.

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

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

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

1.4 FINANCIAL INSTRUMENTS

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

1.4.1 FINANCIAL ASSETS

1.4.1.1 Classification

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

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

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

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

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

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.

Financial assets, excluding instruments measured in terms of the SARB Act, are classified into measurement categories as follows:

- Financial assets that are held for the collection of contractual cash flows, where those cash flows represent SPPI, are measured at amortised cost;
- Financial assets that are held for trading or to realise fair value changes prior to contractual maturity are measured at FVPL; and
- Financial assets that are held for both the collection of contractual cash flows and for sale are measured at FVOCI.

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:

1. Accounting policies continued

1.4 FINANCIAL INSTRUMENTS CONTINUED

1.4.1 FINANCIAL ASSETS CONTINUED

1.4.1.1 Classification continued

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

Fair value through other comprehensive income

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

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

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

Fair value through profit or loss

Positive derivatives, assets that do not meet the criteria for amortised cost, FVOCI and that are not specifically excluded in terms of sections 25 to 28 of the SARB Act are measured at FVPL. Assets can be designated at FVPL at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

Financial assets held at mandatory FVPL include:

- investments;
- foreign exchange reserves;
- derivatives (forward exchange contracts (FECs), futures contracts and interest rate swaps); and
- SA government bonds.

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

Instruments measured in terms of the SARB Act

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

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

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

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

1.4.1.2 Initial recognition

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

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

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

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

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

1. Accounting policies continued

1.4 FINANCIAL INSTRUMENTS CONTINUED

1.4.1 FINANCIAL ASSETS CONTINUED

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.

Debt instruments continued

Fair value through other comprehensive income

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

Instruments measured in terms of the SARB Act

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

1.4.1.4 Impairment of financial assets

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

The measurement of ECL reflects:

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

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

ECL measurement

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

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

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

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

1. Accounting policies continued

1.4 FINANCIAL INSTRUMENTS CONTINUED

1.4.1 FINANCIAL ASSETS CONTINUED

1.4.1.4 Impairment of financial assets continued

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

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

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

- The ECL allowance calculated by the commercial banks for the portfolio of borrowings under the LGS is obtained and reviewed by the Group. Similar to the Group, the commercial banks follow a “three-stage” model for impairment based on changes in the credit quality since initial recognition and use the same key inputs in their models for measuring ECL.
- The ECL allowance is reduced by the guarantee fee premium which serve as the first and second loss buffer under the waterfall for recovery of losses and thereafter by a 6.00% borrowers risk portion (third loss buffer) which is borne by the commercial banks.
- The ECL allowance that remains after taking into account the first to third loss buffers will be recognised as an ECL in terms of the financial guarantee. The SARB’s obligations under the LGS are covered by a full back-to-back guarantee from the SA government.

Write off policy

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

1.4.1.5 Derecognition of financial assets

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

Collateral furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions is 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;
- FVPL; 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. Due to the SARB’s mandate as a central bank and ‘lender of last resort’, movements in financial liabilities are not classified as financing activities in the statement of cash flows.

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 and financial liabilities measured at FVPL, including derivatives.

Financial liabilities held at amortised cost include:

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

Financial liabilities at FVPL

Negative derivatives, liabilities managed, and performance evaluated on a fair value basis and financial liabilities so designated are measured at FVPL.

Financial liabilities held at mandatory 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*:

- FEC liabilities; and
- the GFECRA.

1. Accounting policies continued

1.4 FINANCIAL INSTRUMENTS CONTINUED

1.4.2 FINANCIAL LIABILITIES CONTINUED

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.

SARB Act

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

Fair value through profit or loss

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

1.4.2.4 Derecognition of financial liabilities

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

1.4.3 EFFECTIVE INTEREST RATE

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

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

1.4.4 OFFSETTING OF FINANCIAL INSTRUMENTS

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

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

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

1.4.5 UNRECOGNISED FINANCIAL ASSETS AND LIABILITIES

1.4.5.1 Committed Liquidity Facility

The committed liquidity facilities (CLFs) were designed to allow local banks to meet Basel III rules that require financial institutions to hold high-quality liquid assets (HQLA) as a buffer during times of market stress. The SARB therefore approved the provision of a CLF to assist banks to meet the liquidity coverage ratio (LCR). The CLF was however discontinued during the 2021 financial year.

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

1.4.5.2 Guarantees

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

1. Accounting policies continued

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 market values.

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

1.5.4 SA GOVERNMENT BONDS

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

1.5.5 BIS SHARES

The SARB's investment in the BIS is valued at the net asset value of the BIS with a haircut of 30.00% applied. The net asset value of the shares is based on XDRs. XDRs are the currency in which SDRs are valued. The value of the XDR is calculated on the basis of a currency basket comprising the US dollar, Euro, Chinese renminbi, Japanese yen and pound sterling. The currency weights are adjusted each year in accordance with changes in bilateral foreign exchange rates. This adjustment is not subject to sensitivity. Changes in value due to foreign exchange movements are transferred to the GFECRA in accordance with the SARB Act.

1.5.6 VALUABLE ART

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

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

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

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

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

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

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

1.7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible items that are held by the Group for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and are expected to be used during more than one period.

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.

1. Accounting policies continued

1.7 PROPERTY, PLANT AND EQUIPMENT CONTINUED

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. Depreciation is included as part of operating costs in the statement of profit or loss and other comprehensive income.

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

The estimated average useful lives of assets are as follows:

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

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

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

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

1.8 INTANGIBLE ASSETS

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

An intangible asset is recognised when:

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

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

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

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

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values. Amortisation is included as part of operating costs in the statement of profit or loss and other comprehensive income. The residual values, amortisation period and the amortisation method for intangible assets are reviewed at each reporting date and adjusted if appropriate. The estimated average useful lives of the assets are as follows:

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

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

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

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

1. Accounting policies continued

1.9 IMPAIRMENT ON NON-FINANCIAL ASSETS

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

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

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

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

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

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

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

1.10 GOLD

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

1.11 TAXATION

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

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

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

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

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

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. Accounting policies continued

1.12 EMPLOYEE BENEFITS

1.12.1 PENSION AND RETIREMENT FUNDS

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

1.12.1.1 Defined benefit plans

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

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

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

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

1.12.1.2 Defined contribution plans

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

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

1.12.2 POST-EMPLOYMENT BENEFITS

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

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

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

The liability is provided for in an actuarially determined provision.

1.12.3 LEAVE PAY ACCRUAL

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

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

1.13 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 agreements 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. Accounting policies continued

1.14 INVENTORIES

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

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

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

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

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

1.15 COST OF NEW CURRENCY

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

1.16 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of deposits with banks and other short-term highly liquid money market investments with original maturities of three months or less (91 days and less). Where the maturity date falls on a weekend or a public holiday, the next business day convention will apply; however, the investment will still be considered a 91-day investment. In the separate financial statements of the SARB, 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 REVENUE RECOGNITION

1.18.1 NET INTEREST INCOME

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

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

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

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

1.18.2 NON-INTEREST REVENUE

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

1. Accounting policies continued

1.18 REVENUE RECOGNITION CONTINUED

1.18.2 NON-INTEREST REVENUE CONTINUED

1.18.2.1 Revenue from contracts with customers

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

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

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

Revenue from contracts with customers comprises the following items:

Settlement commission income

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

Bulk cash service fees

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

Licence fees

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

Bank charges

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

Management fees

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

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

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

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

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

Sundry income

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

1.18.2.2 NON-INTEREST FINANCIAL INSTRUMENT REVENUE

CLF fees

Basel III liquidity framework requires banks to adhere to a definite liquidity coverage ratio. The SARB approved the provision of an annual CLF to assist commercial banks in meeting their LCR as there is limited availability of HQLA in South Africa. The facility ran from December to November each year and fees were receivable by the SARB annually at the end of each period. This facility was subsequently discontinued on 1 December 2021.

Commitment fees

Commitment fees are charged on the ABHL loan facility. The fees are calculated based on the facility amount made available in a particular period and are therefore recognised over the period to which they relate.

1.19 DIVIDENDS PAID

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

1. 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.

1.22.1 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

1.22.2 MEASUREMENT OF EXPECTED CREDIT LOSS ALLOWANCE

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

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

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

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

1.22.3 FAIR VALUE OF UNLISTED INVESTMENTS

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

1. Accounting policies continued

1.22 KEY ACCOUNTING ESTIMATES AND JUDGEMENTS CONTINUED

1.22.4 POST-EMPLOYMENT BENEFITS

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

These assumptions include:

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

Statutory actuarial valuations are performed triennially with the 31 March 2021 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).

1.22.5 INVENTORY VALUATIONS

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

1.22.6 PROPERTY, PLANT AND EQUIPMENT

Judgement is required when determining:

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

1.22.7 RECOGNITION OF DEFERRED TAXATION ASSETS

Deferred taxation assets are recognised for unused taxation losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised, which requires judgement. Although the list is not exhaustive, the following was considered in determining the appropriateness of recognising deferred taxation assets:

- The Group's history of profitability.
- Forecasts of future profits, incorporating forward-looking information.
- The Group's investment strategy in local and foreign markets.
- Significant local and global events when appropriate, such as the impact of COVID-19 and the Russia-Ukraine conflict.

1.22.8 ORDER OF LIQUIDITY

As a financial institution, the Group presents its assets and liabilities on the statement of financial position in order of liquidity. This provides information that is reliable and more relevant than a current or non-current presentation, because the entity does not supply goods or services within a clearly identifiable operating cycle.

The order of liquidity requires judgement, particularly in light of the nature of the SARB's operations and mandate as the central bank of South Africa. The SARB's mandate regarding the management and oversight of the domestic financial market results in regular changes to the liquidity of the SARB assets and liabilities, in response to the liquidity requirements of the market. The SARB continuously monitors and actively manages its liquidity requirements.

It is impracticable to continuously revise the order of assets and liabilities on the statement of financial position due to the fluctuating nature of the order of liquidity, and frequent changes would not result in more relevant information to the users of the Group's financial statements. The order of liquidity is therefore kept consistent year on year, unless there are significant changes thereto, which could reasonably be expected to influence decisions that the users of the financial statements would make on the basis of the order of liquidity presented in the statement of financial position. Information regarding the liquidity of the Group's assets and liabilities is disclosed in note 29.

1.23 LEASES

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

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

2. Cash and cash equivalents

	GROUP		SARB	
	2022 R'000	2021 R'000	**2022 R'000**	2021 R'000
Amortised cost				
Bank and cash balances	**516 100**	587 811	**–**	–
Short-term South African fixed deposits[1]	**18 084 106**	7 545 385	**–**	–
Short-term South African money market investments[1]	**3 832 476**	30 267 529	**–**	–
Total cash and cash equivalents	**22 432 682**	38 400 725	**–**	–

[1] *The classification of money market investments and fixed deposits was corrected in the current year to 'amortised cost'. These instruments were incorrectly classified as 'designated at FVPL' in the prior year. Due to the operating model and SPPI assessment within CPD, these instruments are held within a 'hold to collect' business model. This change does not impact measurement and has no impact on presentation in the statement of financial position. The impact on the statement of profit or loss and other comprehensive income for the prior year is not material.*

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

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

Annual interest rates range between 4.00% – 5.15% (2021: 3.30% – 4.40%) on short-term deposits with financial institutions and 4.37% – 5.00% (2021: 3.63% – 6.89%) on short-term money market investments.

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

Maturity structure of financial assets

	GROUP 2022 R'000	GROUP 2021 R'000	SARB 2022 R'000	SARB 2021 R'000
Within 1 month	**17 417 015**	32 875 786	**–**	–
Between 1 and 3 months	**5 015 667**	5 524 939	**–**	–
Total financial assets	**22 432 682**	38 400 725	**–**	–

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

	GROUP 2022 R'000	GROUP 2021 R'000	SARB 2022 R'000	SARB 2021 R'000
Fair value of repo agreements	**3 832 476**	30 267 529	**–**	–
Fair value of collateral received	**3 866 606**	30 287 123	**–**	–
Fair value of collateral permitted to sell or repledge at the reporting date	**3 866 606**	30 287 123	**–**	–
Collateral cover	**100.89%**	100.06%	**–**	–
Maturity date	**07 April 2022**	13 April 2021	**–**	–

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

3. Accommodation to banks

	GROUP 2022 R'000	GROUP 2021 R'000	SARB 2022 R'000	SARB 2021 R'000
Amortised cost				
Repo agreements	**40 950 000**	38 300 000	**40 950 000**	38 300 000
Standing facility	**8 545 591**	6 558 064	**8 545 591**	6 558 064
Accrued interest	**9 536**	3 673	**9 536**	3 673
Total accommodation to banks	**49 505 127**	44 861 737	**49 505 127**	44 861 737

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

Repo agreements
Standard repo agreements yield interest at the repo rate (2021: repo rate) of the SARB. There were no 90-day repo agreements during the year ending 31 March 2022 (2021: repo plus 0.30%).

Standard repo agreements	**4.25%**	3.50%	**4.25%**	3.50%
90-day repo agreements	**–**	3.80%	**–**	3.80%

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

Fair value of collateral received	**40 977 977**	39 684 822	**40 977 977**	39 684 822
Fair value of collateral permitted to sell or repledge at the reporting date	**40 977 977**	39 684 822	**40 977 977**	39 684 822
Collateral cover	**100.05%**	103.61%	**100.05%**	103.61%

The collateral received consists of various SA government bonds and Treasury Bills with maturities ranging from one to 26 years (2021: six days to 28 years).

At the reporting date, there were no impairments on the collateral pledged for the repo facility (2021: Rnil).

During the year under review, no defaults were experienced (2021: no defaults).

The counterparties are exposed to interest rate risk on the various securities pledged as collateral for the repo agreements. Refer to note 29 for further disclosure regarding interest rate risk.

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

Standing facility
The standing facility lending rate, the rate at which the SARB provides liquidity to commercial banks, yields interest at repo plus 1.00% (2021: repo plus 1.00%).

Standing facility	**5.25%**	4.50%	**5.25%**	4.50%

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

Fair value of collateral received	**8 545 591**	6 558 062	**8 545 591**	6 558 062
Fair value of collateral permitted to sell or repledge at the reporting date	**8 545 591**	6 558 062	**8 545 591**	6 558 062
Collateral cover	**100.00%**	100.00%	**100.00%**	100.00%

The collateral received consists of various SA government bonds and Treasury Bills with maturities ranging from two to 10 years (2021: 14 days to 25 years).

At the reporting date, none of the collateralised advances were past due or impaired. During the year under review, no defaults were experienced (2021: no defaults).

The counterparties are exposed to interest rate and other risks on the various securities pledged as collateral for the standing facility. The SARB has the ability to sell or repledge these securities in the event of default. When the underlying facility is settled, the SARB has the obligation to return the collateral. Refer to note 29 for further disclosure regarding interest rate risk.

4. Investments

	GROUP		SARB	
	2022 R'000	2021 R'000	**2022 R'000**	2021 R'000
Amortised cost[1]				
Short-term South African money market investments	**72 585**	72 585	**–**	–
Short-term South African fixed deposits	**5 062 473**	6 010 618	**–**	–
Mandatory FVPL[2]				
Short-term South African money market investments	**176 775**	218 240	**–**	–
Total investments	**5 311 833**	6 301 443	**–**	–
Maturity structure of financial assets				
Within 1 month	**4 308 588**	290 825	**–**	–
Between 1 and 3 months	**1 003 245**	6 010 618	**–**	–
Total financial assets	**5 311 833**	6 301 443	**–**	–

1 *The classification of money market investments and fixed deposits was corrected in the current year to 'amortised cost'. These instruments were incorrectly classified as 'designated at FVPL' in the prior year. Due to the operating model and SPPI assessment within CPD, these instruments are held within a 'hold to collect' business model. This change does not impact measurement and has no impact on presentation in the statement of financial position. The impact on the statement of profit or loss and other comprehensive income for the prior year is not material.*

2 *The classification was corrected in the current year from 'designated at FVPL' to 'mandatory FVPL' to better reflect the CPD accounting policy and operating model. The change purely relates to classification and has no impact on the statement of financial position and statement of profit and loss and other comprehensive income.*

For investments that meet the definition of financial assets at mandatory fair value:

Maximum exposure to credit risk	**176 775**	218 240	**–**	–

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

In terms of investment guidelines, approved by the Boards of the respective subsidiaries, all investments are placed with reputable financial institutions. The CPD utilises banking institutions with a minimum credit rating of BBB- by at least two of the following agencies: Standard and Poor's, Fitch or Moody's. During the previous financial year, a counterparty defaulted on its PNs, which resulted in the recognition of a fair value loss of R243.5 million. During the year under review, no further fair value losses were recognised.

5. Other assets

	GROUP		SARB	
	2022 R'000	2021 R'000	**2022 R'000**	2021 R'000
Financial assets				
Amortised cost				
LGS margin entitlement and credit premium receivable	**320 476**	231 521	**320 476**	231 521
Loans and advances to staff	**296 550**	290 726	**296 550**	290 726
Other financial assets	**228 523**	773 801	**128 895**	677 530
Non-financial assets				
Treasury SDR account	**2 517 662**	1 805 317	**2 517 662**	1 805 317
Other non-financial assets	**221 274**	138 573	**184 122**	108 115
Value Added Taxation	**49 592**	54 025	**49 592**	36 458
Total other assets	**3 634 077**	3 293 963	**3 497 297**	3 149 667
Maturity structure of financial assets				
Within 1 month	**145 286**	701 201	**128 895**	677 530
Between 1 and 12 months	**379 787**	363 326	**296 550**	290 726
More than 1 year	**320 476**	231 521	**320 476**	231 521
Total financial assets	**845 549**	1 296 048	**745 921**	1 199 777

Financial assets were neither past due nor impaired (2021: none).

Loans and advances to staff comprise of vehicle finance, home loans and other advances to staff and yields interest at repo plus 1.00% (2021: repo plus 1.00%).

Other financial assets consist mainly of trade receivables and receivables related to liquidity management.

Other non-financial assets consist mainly of prepaid expenses.

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

The margin entitlement is calculated as the prime rate that the eligible client pays to the commercial bank minus the agreed rate (repo) payable by commercial banks to SARB minus the cost of capital, statutory costs, and administration fees related to the COVID-19 loan. 0.50% thereof is the credit premium which gets transferred into the credit premium account.

As at 31 March 2022, an amount of R320.5 million (2021: R231.5 million) has been recognised with a corresponding provision for credit loss claims in other liabilities. Refer to note 18 for more information.

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

Treasury SDR account
This account consists of all interest charged by the IMF on the liability accounts including the IMF loan to government. Refer to note 6.5 for more details.

6. Gold and foreign exchange reserves

		GROUP		SARB	
	Notes	**2022 R'000**	2021 R'000	**2022 R'000**	2021 R'000
Mandatory at FVPL					
Money market instruments and deposits[1]	6.1	**103 625 380**	82 488 418	**103 625 380**	82 488 418
Securities[1]	6.2	**523 303 278**	550 530 119	**523 303 278**	550 530 119
Derivatives	6.3	**134 691**	169 438	**134 691**	169 438
SARB Act					
Gold coin and bullion	6.4	**113 363 859**	100 472 034	**113 363 859**	100 472 034
IMF SDR assets	6.5	**102 409 906**	45 277 652	**102 409 906**	45 277 652
Total gold and foreign exchange reserves		**842 837 114**	778 937 661	**842 837 114**	778 937 661

[1] *The classification was corrected in the current year from 'designated at FVPL' to 'mandatory FVPL' to better reflect the SARB accounting policy and operating model. The change purely relates to classification and has no impact on the statement of financial position and statement of profit or loss and other comprehensive income.*

6.1 MONEY MARKET INSTRUMENTS AND FIXED DEPOSITS

	GROUP		SARB	
	2022 R'000	2021 R'000	**2022 R'000**	2021 R'000
Cash and money market accounts	**2 108 322**	1 970 311	**2 108 322**	1 970 311
Fixed deposits	**101 517 058**	80 518 107	**101 517 058**	80 518 107
Total money market instruments and fixed deposits	**103 625 380**	82 488 418	**103 625 380**	82 488 418

			CURRENT			NON-CURRENT	
Maturity structure	Redeemable on demand R'000	Up to 1 month R'000	1 – 3 months R'000	4 – 6 months R'000	7 – 12 months R'000	More than 1 year R'000	Total
Group and SARB 2022							
Cash and money market accounts	**–**	**2 108 322**	**–**	**–**	**–**	**–**	**2 108 322**
Fixed deposits	**–**	**101 517 058**	**–**	**–**	**–**	**–**	**101 517 058**
Total money market instruments and fixed deposits	**–**	**103 625 380**	**–**	**–**	**–**	**–**	**103 625 380**
Group and SARB 2021							
Cash and money market accounts	–	1 970 311	–	–	–	–	1 970 311
Fixed deposits	–	80 518 107	–	–	–	–	80 518 107
Total money market instruments and fixed deposits	–	82 488 418	–	–	–	–	82 488 418

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

6. Gold and foreign exchange reserves continued

6.2 SECURITIES

	GROUP		SARB	
	2022 R'000	2021 R'000	**2022 R'000**	2021 R'000
Asset backed securities	**526 432**	–	**526 432**	–
Certificate of deposits	**46 229 640**	60 443 075	**46 229 640**	60 443 075
Commercial papers	**97 576**	1 010 922	**97 576**	1 010 922
Corporate bonds	**4 651 463**	3 436 274	**4 651 463**	3 436 274
Financial bonds	**606 013**	8 106 313	**606 013**	8 106 313
Government agency, state, supranational bonds	**157 436 277**	134 066 778	**157 436 277**	134 066 778
Government bonds	**239 089 453**	188 852 626	**239 089 453**	188 852 626
Mortgage backed securities	**13 502 758**	14 199 529	**13 502 758**	14 199 529
Mutual funds	**–**	453 917	**–**	453 917
Other investments	**126 982**	92 073	**126 982**	92 073
Treasury Bills	**61 036 684**	139 868 612	**61 036 684**	139 868 612
Total securities	**523 303 278**	550 530 119	**523 303 278**	550 530 119

	CURRENT					NON-CURRENT	
Maturity structure	Redeemable on demand R'000	Up to 1 month R'000	1 – 3 months R'000	4 – 6 months R'000	7 – 12 months R'000	More than 1 year R'000	Total
Group and SARB 2022							
Financial assets at mandatory FVPL	**–**	**36 424 873**	**33 099 977**	**101 869 712**	**104 947 163**	**246 961 553**	**523 303 278**
Total securities	**–**	**36 424 873**	**33 099 977**	**101 869 712**	**104 947 163**	**246 961 553**	**523 303 278**
Group and SARB 2021							
Financial assets at mandatory FVPL	–	25 624 361	44 203 942	113 820 718	114 847 266	252 033 832	550 530 119
Total securities	–	25 624 361	44 203 942	113 820 718	114 847 266	252 033 832	550 530 119

6. Gold and foreign exchange reserves continued

6.3 DERIVATIVES

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

	Net fair value R'000	Fair value of assets R'000	Fair value of liabilities R'000	Contract/ notional amount[1] R'000
Group and SARB 2022				
FECs	**58 296**	**78 088**	**(19 792)**	**14 656 791**
Futures contracts	**76 395**	**102 383**	**(25 988)**	**7 031 602**
Total derivatives	**134 691**	**180 471**	**(45 780)**	**21 688 393**
Group and SARB 2021				
FECs	140 022	151 700	(11 678)	34 677 000
Futures contracts	29 416	40 956	(11 540)	17 800 171
Total derivatives	169 438	192 656	(23 218)	52 477 171

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

6.3.1 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES RELATING TO GOLD AND FOREIGN EXCHANGE RESERVES

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

				Related amounts not set off in derivatives		
	Gross amounts presented in derivatives R'000	Offset R'000	Net amounts presented in derivatives R'000	Instruments which offset on default R'000	Collateral amount received R'000	Net amount R'000
Group and SARB 2022						
FEC assets	**78 088**	**–**	**78 088**	**(13 912)**	**–**	**64 176**
FEC liabilities	**(19 792)**	**–**	**(19 792)**	**13 912**	**–**	**(5 880)**
Group and SARB 2021						
FEC assets	151 700	–	151 700	(2 612)	–	149 088
FEC liabilities	(11 678)	–	(11 678)	2 612	–	(9 066)

6. Gold and foreign exchange reserves continued

6.4 GOLD COIN AND BULLION

Group and SARB 2022	R'000	Fine ounces
As at 31 March 2021	**100 472 034**	**4 029 584**
Purchases during the year	**366 736**	**13 722**
Sales during the year	**(361 718)**	**(13 541)**
Change in the statutory price	**12 886 807**	**–**
As at 31 March 2022	**113 363 859**	**4 029 765**

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

Gold coin and bullion consists of 4 029 765 fine ounces of gold at the statutory price of R28 131.63 per ounce (2021: 4 029 584 fine ounces at R24 933.60 per ounce).

6.5 IMF SDR ASSETS

In accordance with the SARB Act, the SARB acts as a fiscal agent of the SA government in its dealings with International Financial Institutions (IFI), transactions with the IFI and the undertakings of financial agency work for the SA government. In compliance with the SARB Act, the accounts with the IMF, which records all transactions with the IMF, have been included in these financial statements. Refer to note 17 for the corresponding liability and notes 5 and 18 for the related interest.

The IMF has created an international reserve asset called the SDR. All rights in, and commitments to the IMF are denominated in XDRs. The value of the XDR is calculated on the basis of a currency basket comprising the US dollar, Euro, Chinese renminbi, Japanese yen and pound sterling. The currency weights are adjusted each year in accordance with changes in bilateral foreign exchange rates. As at 31 March 2022, the XDR rate was equal to R20.15 (2021: 20.97).

During August 2021 the SARB received an SDR allocation amounting to XDR2.9 billion.

6. Gold and foreign exchange reserves continued

6.5 IMF SDR ASSETS CONTINUED

The various rights are disclosed below:

	GROUP		SARB	
	2022 R'000	2021 R'000	**2022 R'000**	2021 R'000
SDR Holdings[1]	**89 104 199**	31 395 004	**89 104 199**	31 395 004
IMF New Arrangements to Borrow financial transactions plan account	**158 729**	203 503	**158 729**	203 503
IMF SDR reserve tranche position account	**13 146 978**	13 679 145	**13 146 978**	13 679 145
Total IMF SDR assets	**102 409 906**	45 277 652	**102 409 906**	45 277 652

[1] *The SDR asset carries interest at an effective rate of 0.32% (2021: 0.08%). SA government Promissory Notes (PNs) have been pledged as collateral against these SDRs.*

The following table presents details of collateral held:

Fair value of collateral received	**39 576 301**	58 055 708	**39 576 301**	58 055 708
Collateral cover[2]	**44.42%**	184.92%	**44.42%**	184.92%

[2] *The IMF will re-evaluate the collateral required during May 2022.*

At the reporting date, none of the collateralised advances were past due or impaired (2021: none). During the year under review, no defaults were experienced (2021: no defaults).

7. Inventories

	GROUP		SARB	
	2022 R'000	2021 R'000	**2022 R'000**	2021 R'000
Raw materials[3]	**490 276**	441 452	**–**	–
Work in progress[4]	**350 454**	306 462	**–**	–
Consumable stores	**86 980**	70 960	**6 001**	4 239
Maintenance spares	**144 445**	134 997	**–**	–
Finished goods[5]	**275 110**	221 738	**–**	–
Total inventories net of write-downs	**1 347 265**	1 175 609	**6 001**	4 239
Write-downs (included above)	**(30 718)**	(16 305)	**–**	–

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

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

8. Forward exchange contract assets and liabilities

		GROUP		SARB	
	Notes	**2022 R'000**	2021 R'000	**2022 R'000**	2021 R'000
SARB Act					
Unrealised gains on FECs		**75 977**	72 082	**75 977**	72 082
Unrealised losses on FECs		**(1 816 178)**	(7 896 061)	**(1 816 178)**	(7 896 061)
Net unrealised losses transferred to GFECRA[1]	21	**(1 740 201)**	(7 823 979)	**(1 740 201)**	(7 823 979)

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

The notional amount of the FECs amounts to R47.0 billion (2021: R62.0 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 2022						
FEC assets	**75 977**	**–**	**75 977**	**(368 855)**	**–**	**(292 878)**
FEC liabilities	**(1 816 178)**	**–**	**(1 816 178)**	**368 855**	**–**	**(1 447 323)**
Group and SARB 2021						
FEC assets	72 082	–	72 082	(32 583)	–	39 499
FEC liabilities	(7 896 061)	–	(7 896 061)	32 583	–	(7 863 478)

9. Loans and advances

	GROUP		SARB	
	2022 R'000	2021 R'000	**2022 R'000**	2021 R'000
Amortised cost				
Interest-bearing local loans				
IGCC loan	**8 610**	–	**–**	–
LGS loan	**12 072 291**	13 726 181	**12 072 291**	13 726 181
Total loans and advances	**12 080 901**	13 726 181	**12 072 291**	13 726 181

SECURED FOREIGN LOAN

In 2020, the counterparty PNs that had been pledged as collateral against the loan facility were impaired due to the counterparty failing to redeem any of its maturing debt securities, nor honour interest on outstanding debt securities. The borrower was unable to provide replacement collateral, resulting in the utilisation of the facility being temporarily suspended and capped at the outstanding amount whilst in the process of being renegotiated. At reporting date the outstanding loan balance of R23.6 million (2021: R41.6 million) was fully impaired.

As part of the debt restructure arrangement by the counterparty, R4.3 million (2021: R4.4 million) for interest and R14.9 million (2021: R9.9 million) for capital, has been received from the counterparty PNs as repayment towards the outstanding loan amount. The counterparty negotiations to restructure its debt are still in progress.

INTEREST-BEARING LOCAL LOANS

Inter-Governmental Cash Co-ordination loans

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

The IGCC 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, which was 4.35% (2021: 3.85%) at the reporting date.

At the reporting date, none of the IGCC loans were past due or impaired (2021: none). However, an ECL allowance was raised to the value of R0.7 billion (2021: R0.8 billion). Please refer to note 29 for more details regarding the ECL. During the year under review, no defaults were experienced (2021: no defaults).

Loan Guarantee Scheme loan

The SARB entered into a Loan Guarantee Scheme (LGS) with participating commercial banks for the purpose of assisting qualifying small and medium sized businesses severely impacted during the COVID-19 pandemic. Drawdowns by qualifying businesses, under the LGS, were available for an 11-month period commencing from the effective date (moratorium period), which was extended by a further three months to July 2021. The outstanding balance at the end of the moratorium period is repayable over a repayment period of 60 months. A facility of R100.0 billion was approved, of which R89.6 billion was allocated to nine commercial banks.

The total outstanding balance (including interest) of R12.1 billion (2021: R13.7 billion) is guaranteed by the SARB. The guarantee is limited to the R12.1 billion allocated to the commercial banks. Due to the integral nature of the guarantee, it is taken into account in the ECL calculation. Refer to note 33 for further details.

The loan accrues interest at the prevailing repo rate (2021: repo rate). Any default interest that accrues as a result of the commercials banks failing to repay the SARB at the interest repayment date will be accounted for at the default interest rate of repo rate plus 2.00%.

At the reporting date none of the LGS loans were past due or impaired (2021: none). During the year under review, no defaults were experienced (2021: no defaults).

10. South African government bonds

	GROUP		SARB	
	2022 R'000	2021 R'000	**2022 R'000**	2021 R'000
Mandatory FVPL[1]				
Listed bonds: Interest-bearing	**37 784 160**	37 784 160	**37 784 160**	37 784 160
Coupon interest accrued[2]	**436 523**	436 523	**436 523**	436 523
Fair value adjustments[2]	**2 282 681**	1 045 792	**2 282 681**	1 045 792
Total SA government bonds	**40 503 364**	39 266 475	**40 503 364**	39 266 475
Effective interest rate	**9.87%**	13.96%	**9.87%**	13.96%

[1] *The classification was corrected in the current year from 'designated at FVPL' to 'mandatory FVPL' to better reflect the SARB accounting policy and operating model. The change purely relates to classification and has no impact on the statement of financial position and statement of profit or loss and other comprehensive income.*

[2] *The disclosure has been updated to reflect the coupon interest accrued separately from fair value adjustments to provide more relevant information.*

There were no purchases of SA government bonds during the current year. However, in the prior year, as part of the SARB's continuous measures to manage liquidity during the COVID-19 pandemic, SA government bonds of R29.1 billion were purchased from the secondary market.

11. Equity investment in Bank for International Settlements

	GROUP		SARB	
	2022 R'000	2021 R'000	**2022 R'000**	2021 R'000
FVOCI				
Opening balance	**5 051 813**	5 635 768	**5 051 813**	5 635 768
Fair value adjustments	**105 170**	261 954	**105 170**	261 954
Foreign exchange movements transferred to GFECRA	**(202 616)**	(845 909)	**(202 616)**	(845 909)
Closing balance	**4 954 367**	5 051 813	**4 954 367**	5 051 813

The carrying amount that would have been recognised had the BIS shares been carried at cost was R526.6 million (2021: R637.9 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's investment in the BIS consists of 8 612 shares (2021: 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 are based on the XDR[3] of XDR28 550 (2021: XDR27 979).

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 2022, a movement of R202.6 million (2021: R845.9 million) was transferred to the GFECRA.

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

12. Property, plant and equipment

GROUP	2022 Cost/ revaluation R'000	2022 Accumulated depreciation R'000	2022 Carrying value R'000	2021 Cost/ revaluation R'000	2021 Accumulated depreciation R'000	2021 Carrying value R'000
Land	33 218	–	33 218	33 288	–	33 288
Buildings	1 118 834	(443 117)	675 717	1 187 831	(433 933)	753 898
Plant, vehicles, furniture and equipment	5 102 247	(3 255 072)	1 847 175	4 866 048	(3 008 556)	1 857 492
Valuable art	191 556	–	191 556	144 417	–	144 417
Work in progress	880 289	–	880 289	293 752	–	293 752
Total	7 326 144	(3 698 189)	3 627 955	6 525 336	(3 442 489)	3 082 847

SARB	2022 Cost/ revaluation R'000	2022 Accumulated depreciation R'000	2022 Carrying value R'000	2021 Cost/ revaluation R'000	2021 Accumulated depreciation R'000	2021 Carrying value R'000
Land	23 793	–	23 793	23 863	–	23 863
Buildings	783 537	(322 416)	461 121	856 281	(319 883)	536 398
Plant, vehicles, furniture and equipment	2 166 112	(1 591 871)	574 241	2 093 284	(1 433 041)	660 243
Valuable art	191 556	–	191 556	144 417	–	144 417
Work in progress	823 693	–	823 693	178 315	–	178 315
Total	3 988 691	(1 914 287)	2 074 404	3 296 160	(1 752 924)	1 543 236

12. Property, plant and equipment continued

Reconciliation of property, plant and equipment

GROUP

2022
R'000

	Opening balance	Additions	Disposals	Transfers in/(out)	Revalu-ations	Depre-ciation	Total
Land	**33 288**	**–**	**(70)**	**–**	**–**	**–**	**33 218**
Buildings	**753 898**	**29 761**	**(76 678)**	**3 394**	**–**	**(34 658)**	**675 717**
Plant, vehicles, furniture and equipment	**1 857 492**	**41 695**	**(12 116)**	**314 901**	**–**	**(354 797)**	**1 847 175**
Valuable art	**144 417**	**–**	**(6)**	**2 320**	**44 825**	**–**	**191 556**
Work in progress	**293 752**	**907 152**	**–**	**(320 615)**	**–**	**–**	**880 289**
Total	**3 082 847**	**978 608**	**(88 870)**	**–**	**44 825**	**(389 455)**	**3 627 955**

2021
R'000

	Opening balance	Additions	Disposals	Transfers in/(out)	Revalu-ations	Depre-ciation	Impair-ment reversal	Total
Land	38 730	–	(5 442)	–	–	–	–	33 288
Buildings	605 267	863	(4 155)	112 925	–	(30 381)	69 379	753 898
Plant, vehicles, furniture and equipment	1 810 366	52 684	1 776	306 983	–	(314 317)	–	1 857 492
Valuable art	132 825	81	–	2 057	9 454	–	–	144 417
Work in progress	376 190	340 053	–	(422 491)	–	–	–	293 752
Total	2 963 378	393 681	(7 821)	(526)	9 454	(344 698)	69 379	3 082 847

12. Property, plant and equipment continued

Reconciliation of property, plant and equipment

SARB

	2022 R'000						
	Opening balance	Additions	Disposals	Transfers in/(out)	Revalu-ations	Depre-ciation	Total
Land	23 863	–	(70)	–	–	–	23 793
Buildings	536 398	29 715	(76 678)	(306)	–	(28 008)	461 121
Plant, vehicles, furniture and equipment	660 243	33 301	(5 830)	93 619	–	(207 092)	574 241
Valuable art	144 417	–	(6)	2 320	44 825	–	191 556
Work in progress	178 315	741 011	–	(95 633)	–	–	823 693
Total	**1 543 236**	**804 027**	**(82 584)**	**–**	**44 825**	**(235 100)**	**2 074 404**

	2021 R'000							
	Opening balance	Additions	Disposals	Transfers in/(out)	Revalu-ations	Depre-ciation	Impair-ment reversal	Total
Land	29 305	–	(5 442)	–	–	–	–	23 863
Buildings	387 997	412	(4 155)	106 788	–	(24 023)	69 379	536 398
Plant, vehicles, furniture and equipment	553 377	40 653	1 211	229 386	–	(164 384)	–	660 243
Valuable art	132 825	81	–	2 057	9 454	–	–	144 417
Work in progress	275 871	240 675	–	(338 231)	–	–	–	178 315
Total	1 379 375	281 821	(8 386)	–	9 454	(188 407)	69 379	1 543 236

REVALUATIONS

The Group's valuable art is stated at revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are performed by independent, reliable valuators every three years. 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.

The fair value measurements as of 31 December 2021 were performed by The Valuator Advisory (Pty) Ltd, independent valuers not related to the Group. The Valuator Advisory (Pty) Ltd is a member of the International Fine Arts and Antiques Appraisers Association and The Royal Institute of Chartered Surveyors and the valuators have the appropriate qualifications and recent experience in the fair value measurement of fine arts and antiques.

Refer to note 31 for specific details regarding the valuation of the art.

The carrying value of the revalued assets under the cost model would have been:

Valuable art	**34 750**	32 436	**34 750**	32 436

13. Intangible assets

GROUP	2022 Cost R'000	2022 Accumulated amortisation R'000	2022 Carrying value R'000	2021 Cost R'000	2021 Accumulated amortisation R'000	2021 Carrying value R'000
Internally generated computer software	**280 060**	**(166 806)**	**113 254**	417 995	(200 991)	217 004
Purchased computer software	**1 251 437**	**(829 868)**	**421 569**	1 004 131	(642 882)	361 249
Work in progress	**361 709**	**–**	**361 709**	545 355	–	545 355
Total	**1 893 206**	**(996 674)**	**896 532**	1 967 481	(843 873)	1 123 608

SARB	2022 Cost R'000	2022 Accumulated amortisation R'000	2022 Carrying value R'000	2021 Cost R'000	2021 Accumulated amortisation R'000	2021 Carrying value R'000
Internally generated computer software	**280 060**	**(166 806)**	**113 254**	417 995	(200 991)	217 004
Purchased computer software	**1 123 014**	**(728 120)**	**394 894**	883 747	(550 116)	333 631
Work in progress	**357 284**	**–**	**357 284**	536 140	–	536 140
Total	**1 760 358**	**(894 926)**	**865 432**	1 837 882	(751 107)	1 086 775

Reconciliation of intangible assets

GROUP

2022 R'000

	Opening balance	Additions	Disposals	Transfers in/(out)	Amortisation	Total
Internally generated computer software	**217 004**	**55 847**	**(16 937)**	**(8 242)**	**(134 418)**	**113 254**
Purchased computer software	**361 249**	**199**	**–**	**189 522**	**(129 401)**	**421 569**
Work in progress	**545 355**	**40 139**	**(42 505)**	**(181 280)**	**–**	**361 709**
Total	**1 123 608**	**96 185**	**(59 442)**	**–**	**(263 819)**	**896 532**

2021 R'000

	Opening balance	Additions	Disposals	Transfers in/(out)	Amortisation	Total
Internally generated computer software	261 060	–	–	–	(44 056)	217 004
Purchased computer software	249 932	3 459	(230)	211 022	(102 934)	361 249
Work in progress	460 220	295 631	–	(210 496)	–	545 355
Total	971 212	299 090	(230)	526	(146 990)	1 123 608

13. Intangible assets continued

Reconciliation of intangible assets

	SARB					
	2022 R'000					
	Opening balance	Additions	Disposals	Transfers in/(out)	Amorti-sation	Total
Internally generated computer software	**217 004**	**55 847**	**(16 937)**	**(8 242)**	**(134 418)**	**113 254**
Purchased computer software	**333 631**	**–**	**–**	**181 428**	**(120 165)**	**394 894**
Work in progress	**536 140**	**36 832**	**(42 502)**	**(173 186)**	**–**	**357 284**
Total	**1 086 775**	**92 679**	**(59 439)**	**–**	**(254 583)**	**865 432**

	2021 R'000					
	Opening balance	Additions	Disposals	Transfers in/(out)	Amorti-sation	Total
Internally generated computer software	261 060	–	–	–	(44 056)	217 004
Purchased computer software	211 963	2 714	(192)	209 448	(90 302)	333 631
Work in progress	457 218	288 370	–	(209 448)	–	536 140
Total	930 241	291 084	(192)	–	(134 358)	1 086 775

14. Deferred taxation

		GROUP		SARB	
	Notes	**2022 R'000**	2021 R'000	**2022 R'000**	2021 R'000
Balance at the beginning of the year		**(626 589)**	(523 692)	**(437 982)**	(368 209)
Movements during the year:					
Current year timing differences	24	**986 609**	(120 613)	**982 285**	(84 812)
Prior year adjustments	24	**26**	530	**29**	–
Taxation rate change (profit or loss)	24	**(13 464)**	–	**(19 923)**	–
Prior year taxation payment received		**(38)**	(32)	**(39)**	(32)
Other comprehensive income		**(119 189)**	17 218	**(115 184)**	15 071
Taxation rate change (OCI)		**35 296**	–	**34 685**	–
Balance at the end of the year		**262 651**	(626 589)	**443 871**	(437 982)
Comprising:					
Deferred taxation assets		**443 871**	–	**443 871**	–
Deferred taxation liabilities		**(181 220)**	(626 589)	**–**	(437 982)
Net deferred taxation asset/(liability)		**262 651**	(626 589)	**443 871**	(437 982)

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

14. Deferred taxation continued

	2020 R'000	Amounts charged to profit or loss R'000	Amounts charged to OCI R'000	2021 R'000	Amounts charged to profit or loss R'000	Amounts charged to OCI R'000	2022 R'000
14.1 GROUP							
Post-employment benefits	648 644	50 366	78 014	777 024	**23 788**	**(83 304)**	**717 508**
Prepaid expenditure and other items	20 302	(26 267)	–	(5 965)	**20 977**	**–**	**15 012**
Revaluation adjustments	(22 966)	–	(2 118)	(25 084)	**–**	**(8 786)**	**(33 870)**
Property, plant and equipment	(479 248)	(435)	–	(479 683)	**(9 265)**	**–**	**(488 948)**
Intangible assets	(131 709)	(7 725)	–	(139 434)	**(50 626)**	**–**	**(190 060)**
Employee benefits accrual	64 144	10 987	–	75 131	**7 788**	**–**	**82 919**
Revenue received in advance	130 353	(98 502)	–	31 851	**(31 851)**	**–**	**–**
Fair value adjustments on BIS shares	(806 894)	–	(58 678)	(865 572)	**–**	**8 197**	**(857 375)**
Taxation loss	53 681	(48 538)	–	5 143	**1 012 322**	**–**	**1 017 465**
Total deferred taxation	(523 693)	(120 114)	17 218	(626 589)	**973 133**	**(83 893)**	**262 651**
14.2 SARB							
Post-employment benefits	596 948	46 680	75 867	719 495	**22 518**	**(79 910)**	**662 103**
Prepaid expenditure and other items	1 678	(26 310)	–	(24 632)	**25 328**	**–**	**696**
Revaluation adjustments	(22 966)	–	(2 118)	(25 084)	**–**	**(8 786)**	**(33 870)**
Property, plant and equipment	(184 528)	(3 787)	–	(188 315)	**(17 668)**	**–**	**(205 983)**
Intangible assets	(128 981)	(9 708)	–	(138 689)	**(50 615)**	**–**	**(189 304)**
Employee benefits accrual	46 181	6 783	–	52 964	**(2 825)**	**–**	**50 139**
Revenue received in advance	130 353	(98 502)	–	31 851	**(31 851)**	**–**	**–**
Fair value adjustments on BIS shares	(806 894)	–	(58 678)	(865 572)	**–**	**8 197**	**(857 375)**
Taxation loss	–	–	–	–	**1 017 465**	**–**	**1 017 465**
Total deferred taxation	(368 209)	(84 844)	15 071	(437 982)	**962 352**	**(80 499)**	**443 871**

15. Notes and coin in circulation

	GROUP		SARB	
	2022 R'000	2021 R'000	**2022 R'000**	2021 R'000
Amortised cost				
Notes	**164 009 770**	161 514 013	**164 009 770**	161 514 013
Coin	**7 087 292**	6 824 952	**7 087 292**	6 824 952
Total notes and coin in circulation	**171 097 062**	168 338 965	**171 097 062**	168 338 965

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

16. Deposit accounts

	GROUP		SARB	
	2022 R'000	2021 R'000	**2022 R'000**	2021 R'000
Amortised cost				
Non-interest-bearing	**231 191 153**	170 401 427	**231 118 568**	170 328 842
Banks' reserve accounts	**126 875 171**	122 688 715	**126 875 171**	122 688 715
Other current accounts	**2 650 957**	2 762 559	**2 650 957**	2 762 559
SA government accounts[1]	**101 665 025**	44 950 153	**101 592 440**	44 877 568
Interest-bearing	**152 055 784**	133 869 063	**60 528 825**	52 579 917
Banks' current accounts	**19 371 421**	8 421 650	**19 371 421**	8 421 650
Call deposits	**91 526 959**	81 289 146	**–**	–
Reverse repos	**–**	1 000 671	**–**	1 000 671
SA government special deposit	**41 157 404**	41 157 404	**41 157 404**	41 157 404
SARB debentures repos	**–**	2 000 192	**–**	2 000 192
Total deposit accounts	**383 246 937**	304 270 490	**291 647 393**	222 908 759
Maturity structure of deposit accounts				
On demand	**195 842 941**	129 001 858	**104 243 397**	47 640 127
Subject to negotiation with the SA government	**41 157 404**	41 157 404	**41 157 404**	41 157 404
Within 1 month	**146 246 592**	134 111 228	**146 246 592**	134 111 228
Total deposit accounts	**383 246 937**	304 270 490	**291 647 393**	222 908 759

[1] *During August 2021 the SARB received an SDR allocation amounting to XDR2.9 billion. Refer to note 6.5 for more details.*

16. Deposit accounts continued

BANKS' RESERVE ACCOUNTS

Commercial banks are required to maintain a minimum cash reserve balance with the SARB into which they are able to deposit at least such amounts as may be necessary to comply with the SARB Act. The banks' reserve accounts do not accrue interest. In addition, the commercial banks can utilise the cash reserve accounts to either fund short positions or deposit surplus funds. As at year-end, the balance was below the required minimum reserve balance by an amount of R1.7 billion (2021: R1.4 billion). The commercial banks concerned are afforded an opportunity, subject to conditions as the Governor may determine, to comply with the relevant provision within a specified period.

SA GOVERNMENT SPECIAL DEPOSIT

The SA government 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. No withdrawals were made during the year (2021: R26.0 billion).

CALL DEPOSITS

In terms of the current interest rate policies as approved by the CPD Board, call deposits earn interest at a rate of 0.10% less than the 91-day Treasury Bills yield (2021: 91-day Treasury Bills yield less 0.10%). The prevailing rate at year-end for call deposits was 4.25% (2021: 3.75%). Margin call deposits, held on behalf of participants of the Johannesburg Stock Exchange Bond Electronic Trading Platform, earn interest at a rate of 0.15% less than the repo rate (2021: repo less 0.15%). The prevailing rate at year-end for margin call deposits was 4.10% (2021: 3.25%).

17. Foreign deposits

	GROUP		SARB	
	2022 R'000	2021 R'000	**2022 R'000**	2021 R'000
Mandatory FVPL				
Foreign deposits	**85 143 409**	93 284 583	**85 143 409**	93 284 583

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

18. Other liabilities

	GROUP		SARB	
	2022 R'000	2021 R'000	**2022 R'000**	2021 R'000
Financial liabilities				
Amortised cost				
Accounts payable	**381 032**	426 368	**169 653**	142 535
Accruals	**425 120**	369 396	**233 303**	235 260
CLF fees received in advance	**–**	113 753	**–**	113 753
LGS provision for loss claims	**320 476**	231 521	**320 476**	231 521
Margin call	**160**	351 142	**–**	–
Other financial liabilities	**607 987**	330 913	**240 065**	94 238
Provision for impairment of loans and advances	**–**	745 290	**–**	–
Profit due to NT	**362 785**	362 785	**362 785**	362 785
Non-financial liabilities				
Treasury SDR account	**2 592 401**	1 877 310	**2 592 401**	1 877 310
Other non-financial liabilities	**144 022**	26 463	**112 505**	30
Value Added Taxation	**10 390**	–	**–**	–
Total other liabilities	**4 844 373**	4 834 941	**4 031 188**	3 057 432
Maturity structure of financial liabilities				
Within 1 month	**781 241**	2 182 097	**643 021**	948 571
Between 1 and 12 months	**995 843**	517 550	**362 785**	–
More than 1 year	**320 476**	231 521	**320 476**	231 521
Total financial liabilities	**2 097 560**	2 931 168	**1 326 282**	1 180 092

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

Treasury SDR account
The IMF interest receivable consists of the interest income from the SDR holdings as well as the replenishments of the interest charged on the IMF loan by the SA government. Refer to note 6.5 for more details.

Comparative figures have been amended to disaggregate certain class of similar items to provide more relevant information.

19. South African Reserve Bank debentures

	GROUP		SARB	
	2022 R'000	2021 R'000	**2022 R'000**	2021 R'000
Amortised cost				
Capital	**3 805 000**	14 995 000	**3 805 000**	14 995 000
Accrued interest	**1 503**	15 035	**1 503**	15 035
Total SARB debentures	**3 806 503**	15 010 035	**3 806 503**	15 010 035

The debentures are issued to the market on tender normally on a 7-, 14-, 28- or 56-day term. At the reporting date, SARB had outstanding unsecured SARB debentures of R3.8 billion (2021: R15.0 billion).

Details on the debentures in issue at 31 March 2022 were as follows:

Maturity date	Interest rate %	Capital
06 April 2022	**4.25**	**2 790 000**
06 April 2022	**4.20**	**765 000**
13 April 2022	**4.30**	**250 000**
		3 805 000

20. Post-employment benefits

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

		GROUP		SARB	
	Notes	**2022 R'000**	2021 R'000	**2022 R'000**	2021 R'000
Amounts recognised in the statement of financial position					
Post-employment medical benefits	20.1	**2 594 227**	2 565 925	**2 395 895**	2 366 898
Post-employment group life benefits	20.2	**63 209**	59 381	**56 337**	52 948
Post-employment retirement fund benefits	20.3	**–**	149 777	**–**	149 777
Total post-employment benefits		**2 657 436**	2 775 083	**2 452 232**	2 569 623
Maturity structure of post-employment benefits					
Within 12 months		**357 056**	316 668	**345 381**	305 708
More than 12 months		**2 300 380**	2 458 415	**2 106 851**	2 263 915
Total post-employment benefits		**2 657 436**	2 775 083	**2 452 232**	2 569 623

20. Post-employment benefits continued

20.1 POST-EMPLOYMENT MEDICAL BENEFITS

Post-employment medical benefits are provided to retired staff in the form of subsidised medical aid premiums. This benefit has been closed to all new employees at the SARB since 1 September 2011 and the 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 2022.

		GROUP		SARB	
	Notes	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Balance at the beginning of the year		**2 565 925**	2 269 102	**2 366 898**	2 089 699
Movement during the year:					
Amount recognised in profit or loss	23.2	**305 994**	302 392	**281 920**	279 344
Interest cost		**275 999**	261 431	**254 588**	240 781
Service cost		**29 995**	40 961	**27 332**	38 563
Cash movements					
Benefits paid		**(136 382)**	(125 865)	**(125 862)**	(115 586)
Amount recognised in OCI		**(141 310)**	120 296	**(127 061)**	113 441
Financial assumption losses		**16 534**	320 185	**15 402**	301 897
Experience gains on liabilities		**(157 844)**	(199 889)	**(142 463)**	(188 456)
Balance at the end of the year		**2 594 227**	2 565 925	**2 395 895**	2 366 898

20.2 POST-EMPLOYMENT GROUP LIFE BENEFITS

Post-employment group life benefits are provided to retired staff in the form of subsidised group life premiums. This benefit has been closed to all new employees at the SARB since 1 September 2017 and SABN since 1 October 2017. This covers the total liability, that is, the accumulated post-employment group life benefit liability at 31 March 2022.

		GROUP		SARB	
	Notes	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Balance at the beginning of the year		**59 381**	47 484	**52 948**	42 258
Movement during the year:					
Amount recognised in profit or loss	23.2	**8 327**	6 990	**7 393**	6 199
Interest cost		**6 344**	5 407	**5 657**	4 811
Service cost		**1 983**	1 583	**1 736**	1 388
Cash movements					
Benefits paid		**(3 955)**	(3 728)	**(3 514)**	(3 328)
Amount recognised in OCI		**(544)**	8 635	**(490)**	7 819
Financial assumption losses		**322**	4 519	**288**	3 818
Experience (gains)/losses on liabilities		**(866)**	4 116	**(778)**	4 001
Balance at the end of the year		**63 209**	59 381	**56 337**	52 948

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 2021 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). 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 2022 was R5.7 billion (2021: R5.1 billion).

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

The life pension quoted by the retirement fund is based on the amount of capital available to the employee, as well as marital status, gender and age. There are currently 1 034 life pensioners (2021: 1 013 life pensioners). Once quoted a life pension, the rules of the fund stipulate that it will not be reduced, and thus, although the pensioner bears the market risk with regard to the annual increase granted, the employer will contribute if there is a shortage in the pension account which supports maintaining pensions at their existing level. This is in effect the only uncovered 'defined benefit' element in the fund. The risk for the retirement fund, and ultimately the SARB, in meeting this defined benefit, is market risk and life expectancy. As the SARB is the sponsor of the fund, the full defined benefit liability resides with the SARB. An *IAS 19 Employee Benefits (IAS 19)* valuation of this defined benefit at 31 March 2022 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 2022					
Balance at the beginning of the year		2 486 685	(2 336 908)	–	149 777
Movement during the year:					
Amount recognised in profit or loss	23.2	281 580	(250 638)	–	30 942
Service cost		13 555	–	–	13 555
Interest cost/(income)		268 025	(250 638)	–	17 387
Cash movements		9 342	(11 002)	–	(1 660)
Benefits paid/(received)		9 342	(9 342)	–	–
Employer contributions received		–	(1 660)	–	(1 660)
Amount recognised in OCI		(27 464)	(330 289)	178 694	(179 059)
Financial assumption (gains)/losses		(74 826)	(330 289)	178 694	(226 421)
Experience losses on liabilities		47 362	–	–	47 362
Balance at the end of the year		2 750 143	(2 928 837)	178 694	–

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 2021					
Balance at the beginning of the year		1 864 243	(1 922 508)	58 265	–
Movement during the year:					
Amount recognised in profit or loss	23.2	212 481	(218 961)	6 642	162
Service cost		81	–	–	81
Interest cost/(income)		212 324	(218 961)	6 642	5
Past service cost		76	–	–	76
Cash movements		(3 664)	3 588	–	(76)
Benefits (received)/paid		(3 664)	3 664	–	–
Employer contributions received		–	(76)	–	(76)
Amount recognised in OCI		413 625	(199 027)	(64 907)	149 691
Financial assumption losses/(gains)		402 994	(199 027)	(64 907)	139 060
Experience losses on liabilities		10 631	–	–	10 631
Balance at the end of the year		2 486 685	(2 336 908)	–	149 777

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, 157 pensioners (2021: 183 pensioners) qualify for the defined benefits. The benefits provided are based on the individual's years of membership and salary levels. These benefits were provided from contributions made by employees and the employer, and income derived from assets of the plan. The actuarial risk in respect of current pension commitments has mainly been transferred to Sanlam, which has a credit rating of AA (Standard and Poor's). No further financial disclosures are deemed necessary in respect of the defined benefit, as required by *IAS 19*. The actuarial liability as at 31 March 2022 amounted to R119.0 million (2021: R121.0 million), while the plan assets towards this liability amounted to R135.5 million (2021: R138.0 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 2021 found the fund to be fully funded, with the actuarial liability of pensions to be R2.8 billion (2018: R2.4 billion) with plan assets of R2.8 billion (2018: R2.4 billion). The trustees of the retirement fund and the management of the SARB do not foresee a statutory liability for the SARB in terms of these pensioners.

The plan assets were invested in the following asset classes as at 31 March 2022 per the interim valuation.

Local equities	9.08%
Local property	2.66%
Local fixed interest	63.24%
Cash	2.21%
Foreign investments	13.10%
Other	9.71%
	100.00%

20. Post-employment benefits continued

20.4 KEY ASSUMPTIONS[1]

	Post-employment benefits	
	2022	2021
Discount rate (Post-employment group life and medical benefits)	**11.00%**	11.05%
Discount rate (Post-employment retirement fund benefits)	**10.70%**	10.70%
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)	**3.26%**	3.30%
Net discount rate (Post-employment group life benefits)	**3.74%**	3.80%
Salary inflation	**7.00%**	7.00%
Premium rate	**0.50%**	0.50%
Inflation rate	**6.00%**	6.00%
Early retirement rates		
55	**2.50%**	2.50%
56	**2.50%**	2.50%
57	**2.50%**	2.50%
58	**2.50%**	2.50%
59	**2.50%**	2.50%
Normal retirement age	**60**	60
Pensioner mortality rates		
Active members	**SA 85-90 Light**	SA 85-90 Light
Pensioners	**PA (90) rated down by 2 years with 0.75% p.a. improvement**	PA (90) rated down by 2 years with 0.75% p.a. improvement
Pension increase rate (Post-employment retirement fund benefits)		
Category 1 and ex-pension	**6.00%**	6.00%
Category 2	**4.50%**	4.50%
Category 3	**2.70%**	2.70%
Valuation date	**31 March 2022**	31 March 2021

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

20. Post-employment benefits continued

20.5 SENSITIVITY ANALYSIS

	GROUP		SARB	
	2022 R'000	2021 R'000	**2022 R'000**	2021 R'000
The effect of a 1% increase and decrease in the discount rate is as follows:				
Employers' accrued liability				
1% decrease	**3 529 604**	3 764 974	**3 298 045**	3 532 095
Valuation basis	**2 657 436**	2 775 083	**2 452 232**	2 569 623
1% increase	**1 766 131**	2 074 269	**1 582 614**	1 891 217
Employers' service and interest cost				
1% decrease	**703 968**	666 373	**678 301**	640 093
Valuation basis[1]	**615 578**	585 967	**591 025**	560 959
1% increase	**563 360**	530 622	**539 795**	506 730
The effect of a 1% increase and decrease in the medical inflation rate is as follows:				
Employers' accrued liability				
1% decrease	**1 758 750**	2 467 482	**1 574 933**	2 284 197
Valuation basis	**2 657 436**	2 775 083	**2 452 232**	2 569 623
1% increase	**3 498 170**	3 155 825	**3 267 302**	2 923 560
Employers' service and interest cost				
1% decrease	**517 501**	546 329	**495 673**	524 182
Valuation basis[1]	**615 578**	585 967	**591 025**	560 959
1% increase	**761 399**	635 321	**733 560**	606 841
The effect of a one year increase and decrease in the post-employment mortality rate is as follows:				
Employers' accrued liability				
1 year downward	**2 725 655**	2 930 601	**2 514 893**	2 719 723
Valuation basis	**2 657 436**	2 775 083	**2 452 232**	2 569 623
1 year upward	**2 588 983**	2 617 025	**2 389 363**	2 417 022
Employers' service and interest cost				
1 year downward	**637 976**	605 130	**612 753**	579 459
Valuation basis[1]	**615 578**	585 967	**591 025**	560 959
1 year upward	**592 750**	563 380	**568 872**	539 042
The effect of a 1% increase and decrease in the salary inflation rate is as follows:				
Employers' accrued liability				
1% decrease	**2 654 885**	2 769 839	**2 449 944**	2 564 635
Valuation basis	**2 657 436**	2 775 083	**2 452 232**	2 569 623
1% increase	**2 660 290**	2 780 878	**2 454 793**	2 575 133
Employers' service and interest cost				
1% decrease	**614 368**	583 383	**589 865**	558 426
Valuation basis[1]	**615 578**	585 967	**591 025**	560 959
1% increase	**616 932**	585 579	**592 324**	560 516
The effect of a one year increase and decrease in the base pension increase rate is as follows:				
Employers' accrued liability				
1 year downward	**2 063 529**	2 375 495	**1 858 325**	2 170 035
Valuation basis	**2 657 436**	2 775 083	**2 452 232**	2 569 623
1 year upward	**3 115 381**	3 346 787	**2 910 177**	3 141 327
Employers' service and interest cost				
1 year downward	**556 480**	528 341	**531 927**	503 333
Valuation basis[1]	**615 578**	585 967	**591 025**	560 959
1 year upward	**711 099**	671 369	**686 546**	646 361

[1] *Forecast service and interest costs for the year ending 2023.*

21. Gold and Foreign Exchange Contingency Reserve Account

		GROUP		SARB	
	Notes	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Measured in terms of the SARB Act					
Opening balance		**315 584 260**	436 062 044	**315 584 260**	436 062 044
Profit/(loss) on gold price adjustment account[1]		**12 884 657**	(14 894 338)	**12 884 657**	(14 894 338)
(Loss)/profit on FEC adjustment account		**(2 445 650)**	22 437 286	**(2 445 650)**	22 437 286
Loss on foreign exchange adjustment account		**(17 898 442)**	(118 604 003)	**(17 898 442)**	(118 604 003)
Movement in unrealised gains/(losses) on FECs		**6 083 778**	(9 527 447)	**6 083 778**	(9 527 447)
		314 208 603	315 473 542	**314 208 603**	315 473 542
Payments from the SA government		**74 826**	110 718	**74 826**	110 718
Closing balance		**314 283 429**	315 584 260	**314 283 429**	315 584 260
Balance composition					
Balance currently due to SA government		**316 023 630**	323 408 239	**316 023 630**	323 408 239
Net unrealised losses on FECs	8	**(1 740 201)**	(7 823 979)	**(1 740 201)**	(7 823 979)
		314 283 429	315 584 260	**314 283 429**	315 584 260

1 *The gold price adjustment account includes the changes in gold statutory price as well as income and expenses relating to gold transactions.*

The GFECRA, which is operated in terms of section 28 of the SARB Act, represents net revaluation gains 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 the SA government and consists mainly of the exchange margin. During the reporting year under review, a net amount of R74.8 million was settled by SA government (2021: R110.7 million).

22. Share capital

	GROUP		SARB	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Authorised and issued				
2 000 000 shares (2021: 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

	GROUP		SARB	
	2022 R'000	2021 R'000	**2022 R'000**	2021 R'000
23.1 OPERATING INCOME INCLUDES:				
Administration and management fees received	**–**	–	**5 380**	5 215
Bank charges	**233 810**	176 548	**233 810**	176 548
Commission on banking services	**280 712**	663 661	**280 712**	663 661
Rental income	**9 481**	7 712	**9 481**	7 712
Sales of bank notes and coin to third party	**4 389 271**	4 531 510	**–**	–
Sundry income	**39 848**	41 336	**39 848**	69 848
Total operating income	**4 953 122**	5 420 767	**569 231**	922 984

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

Comparative figures have been amended to disaggregate certain classes of similar income to provide more relevant information.

23. Profit before taxation continued

23.2 OPERATING COSTS INCLUDE:

		GROUP		SARB	
	Notes	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Depreciation and amortisation					
Buildings		34 658	30 381	28 008	24 023
Reversal of impairments of buildings		–	(69 379)	–	(69 379)
Computer software		263 819	146 990	254 583	134 358
Plant, vehicles, furniture, and equipment		354 797	314 317	207 092	164 384
Total depreciation and amortisation	12&13	653 274	422 309	489 683	253 386
Net loss on disposal of:					
Property, plant and equipment		109 714	8 204	107 146	8 733
Write-down of inventories					
Write-down of inventories	7	30 718	16 305	–	–
Auditors' remuneration					
Audit fees		22 810	23 926	16 344	17 660
Fees for other services		125	9 380	51	9 202
Total auditors' remuneration		22 935	33 306	16 395	26 862
Consulting fees					
Consulting fees		286 777	205 293	271 124	193 846
Employee costs					
Director's remuneration	34.6	33 063	32 080	32 502	31 522
Remuneration and recurring staff costs		2 601 589	2 482 462	2 070 565	1 957 932
Contribution to funds – Normal		279 979	265 270	244 768	230 955
Contributions to funds – Additional		2 752	132	2 752	132
Movement in provision for post-employment medical benefits	20.1	305 994	302 392	281 920	279 344
Movement in provision for post-employment group life benefits	20.2	8 327	6 990	7 393	6 199
Movement in provision for post-employment retirement benefit fund benefits	20.3	30 942	162	30 942	162
Premiums paid – Medical aid		129 774	136 493	115 339	112 721
Premiums paid – Group life		18 928	6 329	3 483	3 092
Total employee costs		3 411 348	3 232 310	2 789 664	2 622 059
Other					
Cost of new currency		180 235	926 999	2 637 033	2 694 374
Subsidiaries' manufacturing costs		4 852 475	4 244 938	–	–
IT infrastructure		264 475	300 244	238 796	277 395
Other operating costs[1]		725 591	1 221 706	591 899	736 063
Total operating expenses		10 537 542	10 611 614	7 141 740	6 812 718

[1] *Other operating costs comprise mainly business systems and technology costs, repairs and maintenance, building maintenance costs, travel and accommodation, and training expenses.*

Comparative figures have been amended to disaggregate certain classes of similar expenses to provide more relevant information.

24. Taxation

		GROUP		SARB	
	Notes	**2022 R'000**	2021 R'000	**2022 R'000**	2021 R'000
South African normal taxation					
Current					
Local income taxation – current period		**300 551**	782 979	**–**	606 609
Deferred					
Current year timing differences	14	**(986 609)**	120 613	**(982 285)**	84 812
Changes in taxation rates	14	**13 464**	–	**19 923**	–
Adjustment in respect of prior years	14	**(26)**	(530)	**(29)**	–
Total taxation		**(672 620)**	903 062	**(962 391)**	691 421
Reconciliation of taxation rate					
South African normal taxation rate		**28.00%**	28.00%	**28.00%**	28.00%
Adjusted for:					
Disallowable expenses		**(0.98%)**	0.62%	**(0.70%)**	1.20%
Donations		**(0.36%)**	0.47%	**(0.26%)**	0.93%
Credit impairment losses		**0.03%**	0.27%	**0.03%**	0.54%
Expenses of a capital nature		**(0.65%)**	(0.12%)	**(0.47%)**	(0.27%)
Exempt income and special deductions		**7.33%**	(9.26%)	**6.68%**	(0.02%)
Dividend income		**1.24%**	0.00%	**6.53%**	0.00%
Interest from SARS		**0.19%**	0.00%	**0.14%**	0.00%
Special allowances[1]		**5.90%**	(9.26%)	**0.01%**	(0.02%)
Prior years		**0.00%**	(0.01%)	**0.00%**	0.00%
Decrease in taxation rate		**(3.28%)**	0.00%	**(1.88%)**	0.00%
Effective taxation rate		**31.07%**	19.35%	**32.10%**	29.18%
Taxation paid					
Opening balance – taxation receivable/(payable)		**684 175**	(1 013 747)	**693 631**	(994 754)
Current taxation for the year recognised in profit or loss		**(300 551)**	(782 979)	**–**	(606 609)
Interest accrued		**14 576**	6	**14 576**	–
Closing balance – taxation receivable[2]		**(1 429 289)**	(684 175)	**(1 442 311)**	(693 631)
Taxation paid[3]		**(1 031 089)**	(2 480 895)	**(734 104)**	(2 294 994)

[1] *Special allowances in Group mainly relate to the CPD, which is exempt from taxation.*
[2] *Consists of taxation receivable of R1.4 billion (2021: R693.6 million) and taxation payable of R13.0 million (2021: R9.5 million).*
[3] *Consists of taxation received of Rnil (2021: R694.0 million) and taxation paid of R1.0 billion (2021: R3.2 billion).*

25. Dividends paid

Dividends were paid as follows:				
Final dividend of 5 cents per share for the 2022 financial year	**100**	100	**100**	100
Interim dividend of 5 cents per share for the 2022 financial year	**100**	100	**100**	100
Total dividends paid	**200**	200	**200**	200

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

26. Cash (utilised by)/generated from operating activities

		GROUP		SARB	
	Notes	**2022 R'000**	2021 R'000	**2022 R'000**	2021 R'000
Reconciliation of profit before taxation to cash generated from operating activities					
(Loss)/profit before taxation for the year		**(2 164 539)**	4 667 209	**(2 997 982)**	2 369 175
Adjustments for:					
Interest revenue	32	**(3 352 624)**	(4 901 911)	**(1 942 579)**	(2 133 864)
Interest expense	32	**3 695 217**	5 623 029	**2 506 169**	2 918 514
Fair value adjustments on investments		**(166 720)**	252 576	**–**	158
Depreciation, amortisation and impairment	12 & 13	**653 274**	422 309	**489 682**	253 386
Net loss on disposal of fixed assets	23.2	**109 714**	8 204	**107 146**	8 733
Profit from associate	34.3	**(228 447)**	(118 525)	**–**	–
Impairment loss on investment in associate	34.3	**228 447**	118 525	**–**	–
Credit impairment (reversal)/loss		**(79 544)**	(1 506 608)	**(18 040)**	41 595
Write off in sundry expenses		**–**	3 764	**–**	3 764
Unrealised foreign exchange gains		**(1 098)**	(2 513)	**–**	–
Post-employment benefits	20	**203 266**	179 875	**189 219**	166 715
Interest accrued on operating assets and liabilities		**–**	(384 178)	**–**	(384 178)
Interest accrued on taxation	24	**14 570**	(6)	**14 576**	–
Net cash (utilised by)/generated from operating activities		**(1 088 484)**	4 361 750	**(1 651 809)**	3 243 998
Changes in operating assets and liabilities					
Amounts due by Group companies	34.4	**–**	–	**(3 027)**	66
Accommodation to banks	3	**(4 643 390)**	61 199 604	**(4 643 390)**	61 199 604
Investments	4	**1 156 330**	–	**–**	–
Other assets	5	**(340 114)**	(1 774 454)	**(347 630)**	(1 708 644)
Gold and foreign exchange reserves	6	**(63 899 453)**	153 042 151	**(63 899 453)**	153 042 152
Inventories	7	**(171 656)**	(56 083)	**(1 762)**	712
FEC assets[1]		**(3 895)**	1 730 695	**(3 895)**	1 730 695
Loans and advances	9	**1 724 824**	13 248 485	**1 671 930**	(13 713 579)
SA government bonds	10	**(1 236 889)**	(29 649 502)	**(1 236 889)**	(29 649 502)
Equity investment in BIS	11	**97 446**	845 909	**97 446**	845 909
Notes and coin in circulation	15	**2 758 097**	12 794 726	**2 758 097**	12 794 726
Deposit accounts	16	**78 976 447**	(42 356 793)	**68 738 634**	(51 870 939)
Amounts due to Group companies	34.4	**–**	–	**26 357 078**	21 031 932
Foreign deposits	17	**(8 141 174)**	(54 913 908)	**(8 141 174)**	(54 913 908)
Other liabilities	18	**15 475**	341 933	**977 544**	(709 632)
SARB debentures	19	**(11 203 532)**	15 010 035	**(11 203 532)**	15 010 035
FEC liabilities[1]		**(6 079 883)**	7 796 753	**(6 079 883)**	7 796 753
GFECRA[1]		**(1 300 831)**	(120 477 784)	**(1 300 831)**	(120 477 784)
Net cash (utilised by)/generated from changes in operating assets and liabilities		**(12 292 198)**	16 781 767	**3 739 263**	408 596
Net cash (utilised by)/generated from operations		**(13 380 682)**	21 143 517	**2 087 454**	3 652 594

[1] *This disclosure has been updated to separately reflect the cash flow movements of FEC assets and liabilities to provide more relevant information.*

27. Capital commitments

	GROUP		SARB	
	2022 R'000	2021 R'000	**2022 R'000**	2021 R'000
Capital expenditure contracted for, but not yet incurred	**1 243 737**	552 128	**1 177 557**	418 286
Buildings	**353 989**	690	**351 020**	–
Plant, vehicles, furniture and equipment	**167 188**	255 625	**104 888**	129 874
Intangible assets	**722 560**	295 813	**721 649**	288 412
Capital expenditure approved, but not yet contracted for	**1 892 385**	1 218 086	**1 472 544**	848 372
Buildings	**1 252 706**	118 345	**1 180 384**	–
Plant, vehicles, furniture and equipment	**442 969**	504 995	**118 852**	270 724
Intangible assets	**196 710**	594 746	**173 308**	577 648

These capital commitments will be funded from internal resources.

28. Events after the reporting date

CPD GUARANTEE

On 16 May 2022, the GEC approved an extension to the financial guarantee issued by the SARB to the CPD for a further 12 months to 11 June 2023 as a result of the continued technical insolvency of the CPD. The guarantee was reduced from R3.5 billion to R1.2 billion due to the reduced accumulated losses in CPD in the current financial year.

SOUTH AFRICAN MINT DIVIDEND

The South African Mint board declared a dividend of R94.1 million to the SARB on 20 May 2022.

29. Risk management in respect of financial instruments

Introduction

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

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

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

Reserves management

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

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

Framework

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

29. Risk management in respect of financial instruments continued

Reserves management 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 investment guidelines, the allocation of the active risk budget to individual portfolios and the appointment or removal of external fund managers and custodians.

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

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

Daily operations

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

Statement of financial position impact

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

Monetary policy

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

In addition to the main repo facility, the SARB offers a range of end-of-day facilities for commercial banks to square-off the daily positions on their settlement accounts, e.g. access to their cash reserve balances held with the SARB, supplementary repos/reverse repos conducted at the repo rate and an automated standing facility whereby the end-of-day balances on the banks' settlement accounts are automatically settled at a rate of 1.00% below or above the policy rate.

Framework

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

29. Risk management in respect of financial instruments continued

Governance

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

Daily operations

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

Statement of financial position impact

Key statement of financial position balances related to monetary policy implementation include:
Note 3 – Accommodation to banks and standing facilities;
Note 8 – FEC assets and liabilities;
Note 15 – Notes and coin in circulation;
Note 16 – Banks' reserve and current accounts;
Note 16 – Reverse repurchase agreements (no balances in the current year);
Note 16 – SA government special deposit;
Note 17 – Foreign deposits; and
Note 18 – 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 analyses 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. 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

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:

	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 2022																
Financial assets																
Amortised cost																
Cash and cash equivalents	22 376 573	99.7	–	0.0	38 994	7.6	17 115	3.3	–	0.0	–	0.0	–	0.0	22 432 682	100.0
Accommodation to banks	49 505 127	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	49 505 127	100.0
Investments	5 135 058	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	5 135 058	100.0
Other financial assets	802 138	94.8	–	0.0	38 695	4.6	4 716	0.6	–	0.0	–	0.0	–	0.0	845 549	100.0
Loans and advances	12 080 901	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	12 080 901	100.0
FVPL																
Investments	176 775	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	176 775	100.0
SA government bonds	40 503 364	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	40 503 364	100.0
FVOCI																
Equity investment in BIS	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	4 954 367	100.0	4 954 367	100.0
SARB Act																
FEC assets	–	0.0	–	0.0	75 977	100.0	–	0.0	–	0.0	–	0.0	–	0.0	75 977	100.0
Gold and foreign exchange reserves	–	0.0	113 363 859	13.5	467 000 638	55.4	29 531 401	3.5	25 961 778	3.1	60 632 631	7.2	146 346 807	17.3	842 837 114	100.0
Total financial assets	130 579 936	13.3	113 363 859	11.6	467 154 304	47.7	29 553 232	3.0	25 961 778	2.7	60 632 631	6.2	151 301 174	15.5	978 546 914	100.0
Unrecognised financial assets																
Guarantees	15 072 291	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	15 072 291	100.0
Total unrecognised financial assets	15 072 291	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	15 072 291	100.0
Financial liabilities																
Amortised cost																
Notes and coin in circulation	171 097 062	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	171 097 062	100.0
Deposit accounts	383 246 937	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	383 246 937	100.0
Other financial liabilities	1 612 436	76.9	–	0.0	381 946	18.2	103 094	4.9	84	0.0	–	0.0	–	0.0	2 097 560	100.0
SARB debentures	3 806 503	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	3 806 503	100.0
FVPL																
Foreign deposits	–	0.0	–	0.0	70 647 862	83.0	7 411 939	8.7	3 512 263	4.1	1 746 391	2.1	1 824 954	2.1	85 143 409	100.0
SARB Act																
FEC liabilities	–	0.0	–	0.0	1 816 178	100.0	–	0.0	–	0.0	–	0.0	–	0.0	1 816 178	100.0
GFECRA	314 283 429	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	314 283 429	100.0
Total financial liabilities	874 046 367	90.8	–	0.0	72 845 986	7.6	7 515 033	0.8	3 512 347	0.4	1 746 391	0.2	1 824 954	0.2	961 491 078	100.0
Unrecognised financial liabilities																
Guarantees	15 072 291	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	15 072 291	100.0
Total unrecognised financial liabilities	15 072 291	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	15 072 291	100.0

29. Risk management in respect of financial instruments continued

29.1 MARKET RISK CONTINUED

29.1.3 CURRENCY RISK CONTINUED

29.1.3.2 Concentration risk continued

	South African rand		Gold		United States dollar		Euro		Pound sterling		Chinese yen		Other		Total	
	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%
GROUP 2021																
Financial assets																
Amortised cost																
Cash and cash equivalents[1]	38 369 146	99.9	–	0.0	30 466	5.2	1 113	0.2	–	0.0	–	0.0	–	0.0	38 400 725	100.0
Accommodation to banks[1]	44 861 737	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	44 861 737	100.0
Investments[1]	6 083 203	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	6 083 203	100.0
Other financial assets	1 262 708	97.4	–	0.0	29 218	2.3	4 122	0.3	–	0.0	–	0.0	–	0.0	1 296 048	100.0
Loans and advances	13 726 181	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	13 726 181	100.0
FVPL																
Investments	218 240	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	218 240	100.0
SA government bonds	39 266 475	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	39 266 475	100.0
FVOCI																
Equity investment in BIS	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	5 051 813	100.0	5 051 813	100.0
SARB Act																
FEC assets	–	0.0	–	0.0	72 082	100.0	–	0.0	–	0.0	–	0.0	–	0.0	72 082	100.0
Gold and foreign exchange reserves	–	0.0	100 472 034	12.9	440 373 445	56.5	52 731 609	6.8	54 720 919	7.0	55 221 723	7.1	75 417 931	9.7	778 937 661	100.0
Total financial assets	143 787 690	15.5	100 472 034	10.8	440 505 211	47.5	52 736 844	5.7	54 720 919	5.9	55 221 723	6.0	80 469 744	8.7	927 914 165	100.0
Unrecognised financial assets																
Guarantees	16 468 402	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	16 468 402	100.0
Total unrecognised financial assets	16 468 402	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	16 468 402	100.0
Financial liabilities																
Amortised cost																
Notes and coin in circulation	168 338 965	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	168 338 965	100.0
Deposit accounts	304 270 490	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	304 270 490	100.0
Other financial liabilities	2 606 367	88.9	–	0.0	252 673	8.6	72 038	2.5	90	0.0	–	0.0	–	0.0	2 931 168	100.0
SARB debentures	15 010 035	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	15 010 035	100.0
FVPL																
Foreign deposits	–	0.0	–	0.0	73 509 657	78.8	5 873 504	6.3	–	0.0	7 160 235	7.7	6 741 187	7.2	93 284 583	100.0
SARB Act																
FEC liabilities	–	0.0	–	0.0	7 896 061	100.0	–	0.0	–	0.0	–	0.0	–	0.0	7 896 061	100.0
GFECRA	315 584 260	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	315 584 260	100.0
Total financial liabilities	805 810 117	88.8	–	0.0	81 658 391	9.0	5 945 542	0.7	90	0.0	7 160 235	0.8	6 741 187	0.7	907 315 562	100.0
Unrecognised financial liabilities																
CLF	26 150 000	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	26 150 000	100.0
Guarantees	16 468 402	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	16 468 402	100.0
Total unrecognised financial liabilities	42 618 402	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	42 618 402	100.0

[1] *The classification of money market investments and fixed deposits was corrected in the current year to 'amortised cost'. These instruments were incorrectly classified as 'designated at FVPL' in the prior year. Due to the operating model and SPPI assessment within CPD, these instruments are held within a 'hold to collect' business model. This change does not impact measurement and has no impact on presentation in the statement of financial position. The impact on the statement of profit or loss and other comprehensive income for the prior year is not material.*

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 2022																
Financial assets																
Amortised cost																
Amounts due by Group companies	3 027	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	3 027	100.0
Accommodation to banks	49 505 127	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	49 505 127	100.0
Other financial assets	745 921	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	745 921	100.0
Loans and advances	12 072 291	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	12 072 291	100.0
FVPL																
SA government bonds	40 503 364	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	40 503 364	100.0
FVOCI																
Equity investment in BIS	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	4 954 367	100.0	4 954 367	100.0
SARB Act																
FEC assets	–	0.0	–	0.0	75 977	100.0	–	0.0	–	0.0	–	0.0	–	0.0	75 977	100.0
Gold and foreign exchange reserves	–	0.0	113 363 859	13.5	467 000 638	55.4	29 531 401	3.5	25 961 778	3.1	60 632 631	7.2	146 346 807	17.4	842 837 114	100.0
Total financial assets	102 829 730	10.8	113 363 859	11.9	467 076 615	49.2	29 531 401	3.1	25 961 778	2.7	60 632 631	6.4	151 301 174	15.9	950 697 188	100.0
Unrecognised financial assets																
Guarantees	15 072 291	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	15 072 291	100.0
Total unrecognised financial assets	15 072 291	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	15 072 291	100.0
Financial liabilities																
Amortised cost																
Notes and coin in circulation	171 097 062	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	171 097 062	100.0
Deposit accounts	291 647 393	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	291 647 393	100.0
Amounts due to Group companies	64 709 782	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	64 709 782	100.0
Other financial liabilities	1 326 282	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	1 326 282	100.0
SARB debentures	3 806 503	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	3 806 503	100.0
FVPL																
Foreign deposits	–	0.0	–	0.0	70 647 862	83.0	7 411 939	8.7	3 512 263	4.1	1 746 391	2.1	1 824 954	2.1	85 143 409	100.0
SARB Act																
FEC liabilities	–	0.0	–	0.0	1 816 178	100.0	–	0.0	–	0.0	–	0.0	–	0.0	1 816 178	100.0
GFECRA	314 283 429	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	314 283 429	100.0
Total financial liabilities	846 870 451	90.6	–	0.0	72 464 040	7.8	7 411 939	0.8	3 512 263	0.4	1 746 391	0.2	1 824 954	0.2	933 830 038	100.0
Unrecognised financial liabilities																
Guarantees	18 572 291	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	18 572 291	100.0
Total unrecognised financial liabilities	18 572 291	100.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.0	18 572 291	100.0

29. Risk management in respect of financial instruments continued

29.1 MARKET RISK CONTINUED

29.1.3 CURRENCY RISK CONTINUED

29.1.3.2 Concentration risk continued

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

29. Risk management in respect of financial instruments continued

29.2 CREDIT RISK

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

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

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

29.2.1 CREDIT RISK MEASUREMENT

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

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

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

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

29. Risk management in respect of financial instruments continued

29.2 CREDIT RISK CONTINUED

The instruments relating to the foreign reserves are summarised below:

	GROUP		SARB	
	2022 R'000	2021 R'000	**2022 R'000**	2021 R'000
AAA	**260 941 513**	200 737 075	**260 941 513**	200 737 075
AA	**85 629 381**	85 859 058	**85 629 381**	85 859 058
A	**74 135 066**	65 285 783	**74 135 066**	65 285 783
A-1	**313 721 662**	331 635 524	**313 721 662**	331 635 524
Total foreign financial assets	**734 427 622**	683 517 440	**734 427 622**	683 517 440

29.2.2 ECL MEASUREMENT

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

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

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

29.2.2.1 Significant increase in credit risk

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

Quantitative criteria:

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

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

29. Risk management in respect of financial instruments continued

29.2 CREDIT RISK CONTINUED

29.2.2 ECL MEASUREMENT CONTINUED

29.2.2.1 Significant increase in credit risk continued

Qualitative criteria:

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

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

The Group has not used the low credit risk exemption for any financial instruments in the year ended 31 March 2022 (2021: none).

The CPD had no significant increase in credit risk for its financial instruments following the significant increase in credit risk in the prior year. The CPD did not use the low credit risk exemption for any financial instruments in the year ended 31 March 2022 (2021: none).

29.2.2.2 Definition of default and credit-impaired assets

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

Quantitative criteria:

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

Qualitative criteria:

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

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

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

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

29. Risk management in respect of financial instruments continued

29.2 CREDIT RISK CONTINUED

29.2.2 ECL MEASUREMENT CONTINUED

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

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

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

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

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

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

There have been minimal changes made in estimation techniques and assumptions used in the model during the reporting period (2021: none).

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

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

29. Risk management in respect of financial instruments continued

29.2 CREDIT RISK CONTINUED

29.2.3 CREDIT RISK EXPOSURE

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

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

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

	GROUP		SARB	
	2022 R'000	2021 R'000	**2022 R'000**	2021 R'000
Opening loss allowances as at 1 April	**(2 315 341)**	–	**–**	–
Loss allowance recognised during the year	**(41 595)**	(2 315 341)	**(41 595)**	–
Loss allowance reversed during the year	**1 548 203**	–	**–**	–
Loss allowance as at 31 March	**(808 733)**	(2 315 341)	**(41 595)**	–
Loss allowance recognised during the year	**(1 172)**	(41 595)	**(1 172)**	(41 595)
Loss allowance reversed during the year	**80 716**	1 548 203	**19 212**	–
Loss allowance as at 31 March	**(729 189)**	(808 733)	**(23 555)**	(41 595)

	Stage 1 12–months ECL R'000	Stage 2 Lifetime ECL R'000	Stage 3 Lifetime ECL R'000	Purchased credit impaired R'000	Total R'000
GROUP 2022					
ECL opening balance	**–**	**(808 733)**	**–**	**–**	**(808 733)**
Loss allowance	**–**	**(1 172)**	**–**	**–**	**(1 172)**
Loss allowance reversed	**–**	**80 716**	**–**	**–**	**80 716**
ECL closing balance	**–**	**(729 189)**	**–**	**–**	**(729 189)**
GROUP 2021					
ECL opening balance	–	(2 315 341)	–	–	(2 315 341)
Loss allowance	–	(41 595)	–	–	(41 595)
Loss allowance reversed	–	1 548 203	–	–	1 548 203
ECL closing balance	–	(808 733)	–	–	(808 733)
SARB 2022					
ECL opening balance	**–**	**(41 595)**	**–**	**–**	**(41 595)**
Loss allowance	**–**	**(1 172)**	**–**	**–**	**(1 172)**
Loss allowance reversed	**–**	**19 212**	**–**	**–**	**19 212**
ECL closing balance	**–**	**(23 555)**	**–**	**–**	**(23 555)**
SARB 2021					
ECL opening balance	–	–	–	–	–
Loss allowance	–	(41 595)	–	–	(41 595)
Loss allowance reversed	–	–	–	–	–
ECL closing balance	–	(41 595)	–	–	(41 595)

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

29. Risk management in respect of financial instruments continued

29.2 CREDIT RISK CONTINUED

29.2.3 Credit risk exposure continued

29.2.3.2 Collateral and other credit enhancements

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

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

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

There were no investment securities with a credit rating below the SARB's investment guidelines as at 31 March 2022 (2021: none).

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

29.2.4 LOSS ALLOWANCE

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

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

As at 31 March 2022 the Group recognised a loss allowance reversal of R79.5 million (2021: R1.5 billion); SARB R18.0 million loss allowance reversal (2021: R41.6 million loss).

29. Risk management in respect of financial instruments continued

29.3 LIQUIDITY RISK

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

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

	Current				Non-current		
	Redeemable on demand R'000	Up to 1 month R'000	1 – 3 months R'000	4 – 6 months R'000	7 – 12 months R'000	More than 1 year R'000	Total R'000
GROUP 2022							
Financial assets							
Cash and cash equivalents	–	17 417 015	5 015 667	–	–	–	22 432 682
Accommodation to banks	49 505 127	–	–	–	–	–	49 505 127
Investments	–	4 308 588	1 003 245	–	–	–	5 311 833
Other financial assets	–	145 284	328 206	–	51 583	320 476	845 549
Gold and foreign exchange reserves	215 773 765	140 184 944	33 099 977	101 869 712	104 947 163	246 961 553	842 837 114
FEC assets	–	32 438	41 760	1 779	–	–	75 977
Loans and advances	8 610	–	–	–	–	12 072 291	12 080 901
SA government bonds	–	–	–	–	–	40 503 364	40 503 364
Equity investment in BIS	4 954 367	–	–	–	–	–	4 954 367
Total financial assets	270 241 869	162 088 269	39 488 855	101 871 491	104 998 746	299 857 684	978 546 914
Unrecognised financial assets							
Guarantees	15 072 291	–	–	–	–	–	15 072 291
Total unrecognised financial assets	15 072 291	–	–	–	–	–	15 072 291
Financial liabilities							
Notes and coin in circulation	171 097 062	–	–	–	–	–	171 097 062
Deposit accounts	237 000 345	146 246 592	–	–	–	–	383 246 937
Foreign deposits	25 896	85 117 513	–	–	–	–	85 143 409
Other financial liabilities	–	781 241	463 137	90 388	442 318	320 476	2 097 560
SARB debentures	–	3 806 503	–	–	–	–	3 806 503
FEC liabilities	–	295 249	400 844	973 837	146 248	–	1 816 178
GFECRA	314 283 429	–	–	–	–	–	314 283 429
Total financial liabilities	722 406 732	236 247 098	863 981	1 064 225	588 566	320 476	961 491 078
Unrecognised financial liabilities							
Guarantees	15 072 291	–	–	–	–	–	15 072 291
Total unrecognised financial liabilities	15 072 291	–	–	–	–	–	15 072 291

As part of the IGCC arrangement, national and provincial treasuries may call on demand an amount of R76.4 billion from the IGCC pool of funds, limited to the IGCC deposits, which fluctuate on a daily basis. Refer to note 9 for more information on the IGCC arrangement.

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 2021							
Financial assets							
Cash and cash equivalents	–	32 875 786	5 524 939	–	–	–	38 400 725
Accommodation to banks	44 861 737	–	–	–	–	–	44 861 737
Investments	–	290 825	6 010 618	–	–	–	6 301 443
Other financial assets	–	701 201	363 326	–	–	231 521	1 296 048
Gold and foreign exchange reserves	145 749 685	108 282 217	44 203 942	113 820 719	114 847 266	252 033 832	778 937 661
FEC assets	–	2 368	–	3 799	65 915	–	72 082
Loans and advances	–	–	–	–	–	13 726 181	13 726 181
SA government bonds	–	–	–	–	–	39 266 475	39 266 475
Equity investment in BIS	5 051 813	–	–	–	–	–	5 051 813
Total financial assets	195 663 235	142 152 397	56 102 825	113 824 517	114 913 181	305 258 009	927 914 165
Unrecognised financial assets							
Guarantees	16 468 402	–	–	–	–	–	16 468 402
Total unrecognised financial assets	16 468 402	–	–	–	–	–	16 468 402
Financial liabilities							
Notes and coin in circulation	168 338 965	–	–	–	–	–	168 338 965
Deposit accounts	170 159 262	134 111 228	–	–	–	–	304 270 490
Foreign deposits	23 614	93 260 969	–	–	–	–	93 284 583
Other financial liabilities	–	2 182 097	347 629	90 388	79 533	231 521	2 931 168
SARB debentures	–	15 010 035	–	–	–	–	15 010 035
FEC liabilities	–	1 377 433	3 784 168	2 700 834	33 626	–	7 896 061
GFECRA	315 584 260	–	–	–	–	–	315 584 260
Total financial liabilities	654 106 101	245 941 763	4 131 797	2 791 222	113 159	231 521	907 315 562
Unrecognised financial liabilities							
CLF	26 150 000	–	–	–	–	–	26 150 000
Guarantees	16 468 402	–	–	–	–	–	16 468 402
Total unrecognised financial liabilities	42 618 402	–	–	–	–	–	42 618 402

As part of the IGCC arrangement, national and provincial treasuries may call on demand an amount of R66.1 billion from the IGCC pool of funds, limited to the IGCC deposits, which fluctuate on a daily basis. Refer to note 9 for more information on the IGCC arrangement.

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 2022							
Financial assets							
Amounts due by Group companies	3 027	–	–	–	–	–	3 027
Accommodation to banks	49 505 127	–	–	–	–	–	49 505 127
Other financial assets	–	128 895	296 550	–	–	320 476	745 921
Gold and foreign exchange reserves	215 773 765	140 184 944	33 099 977	101 869 712	104 947 163	246 961 553	842 837 114
FEC assets	–	32 438	41 760	1 779	–	–	75 977
Loans and advances	–	–	–	–	–	12 072 291	12 072 291
SA government bonds	–	–	–	–	–	40 503 364	40 503 364
Equity investment in BIS	4 954 367	–	–	–	–	–	4 954 367
Total financial assets	270 236 286	140 346 277	33 438 287	101 871 491	104 947 163	299 857 684	950 697 188
Unrecognised financial assets							
Guarantees	15 072 291	–	–	–	–	–	15 072 291
Total unrecognised financial assets	15 072 291	–	–	–	–	–	15 072 291
Financial liabilities							
Notes and coin in circulation	171 097 062	–	–	–	–	–	171 097 062
Deposit accounts	145 400 801	146 246 592	–	–	–	–	291 647 393
Amounts due to Group companies	64 709 782	–	–	–	–	–	64 709 782
Foreign deposits	25 896	85 117 513	–	–	–	–	85 143 409
Other financial liabilities	–	643 021	–	–	362 785	320 476	1 326 282
SARB debentures	–	3 806 503	–	–	–	–	3 806 503
FEC liabilities	–	295 249	400 844	973 837	146 248	–	1 816 178
GFECRA	314 283 429	–	–	–	–	–	314 283 429
Total financial liabilities	695 516 970	236 108 878	400 844	973 837	509 033	320 476	933 830 038
Unrecognised financial liabilities							
Guarantees	18 572 291	–	–	–	–	–	18 572 291
Total unrecognised financial liabilities	18 572 291	–	–	–	–	–	18 572 291

29. Risk management in respect of financial instruments continued

29.3 LIQUIDITY RISK CONTINUED

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

29.4 SETTLEMENT RISK

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

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

30. Classification of financial assets and liabilities

	Notes	FVOCI R'000	SARB Act R'000	FVPL (Mandatory) R'000	Amortised cost R'000	Total R'000	Fair value[1] R'000
GROUP 2022							
Financial assets							
Cash and cash equivalents	2	–	–	–	22 432 682	22 432 682	22 432 682
Accommodation to banks	3	–	–	–	49 505 127	49 505 127	49 505 127
Investments	4	–	–	176 775	5 135 058	5 311 833	5 135 058
Other financial assets	5	–	–	–	845 549	845 549	845 549
Gold and foreign exchange reserves	6	–	215 773 765	627 063 349	–	842 837 114	–
FEC assets	8	–	75 977	–	–	75 977	–
Loans and advances	9	–	–	–	12 080 901	12 080 901	12 080 901
SA government bonds	10	–	–	40 503 364	–	40 503 364	–
Equity investment in BIS	11	5 156 983	(202 616)	–	–	4 954 367	–
Unrecognised financial assets							
Guarantees	33	–	–	–	–	–	15 072 291
Financial liabilities							
Notes and coin in circulation	15	–	–	–	171 097 062	171 097 062	171 097 062
Deposit accounts[2]	16	–	–	–	383 246 937	383 246 937	383 246 937
Foreign deposits	17	–	–	85 143 409	–	85 143 409	–
Other financial liabilities	18	–	–	–	2 097 560	2 097 560	2 097 560
SARB debentures	19	–	–	–	3 806 503	3 806 503	3 806 503
FEC liabilities	8	–	1 816 178	–	–	1 816 178	–
GFECRA	21	–	314 283 429	–	–	314 283 429	–
Unrecognised financial liabilities							
Guarantees	33	–	–	–	–	–	15 072 291

[1] *Fair values have been disclosed only for instruments carried at amortised cost, with the exception of cash and cash equivalents. Carrying value has been used where it closely approximates fair value.*
[2] *Included in deposit accounts are amounts that do not bear interest. These deposit accounts do not have fixed maturity dates.*

30. Classification of financial assets and liabilities continued

	FVOCI R'000	SARB Act R'000	FVPL (Mandatory)[3] R'000	Amortised cost R'000	Total R'000	Fair value[1] R'000
GROUP 2021						
Financial assets						
Cash and cash equivalents[4]	–	–	–	38 400 725	38 400 725	38 400 725
Accommodation to banks	–	–	–	44 861 737	44 861 737	44 861 737
Investments[4]	–	–	218 240	6 083 203	6 301 443	6 083 203
Other financial assets	–	–	–	1 296 048	1 296 048	1 296 048
Gold and foreign exchange reserves	–	145 749 686	633 187 975	–	778 937 661	–
FEC assets	–	72 082	–	–	72 082	–
Loans and advances	–	–	–	13 726 181	13 726 181	13 726 181
SA government bonds	–	–	39 266 475	–	39 266 475	–
Equity investment in BIS	5 897 722	(845 909)	–	–	5 051 813	–
Unrecognised financial assets						
Guarantees	–	–	–	–	–	16 468 402
Financial liabilities						
Notes and coin in circulation	–	–	–	168 338 965	168 338 965	168 338 965
Deposit accounts[2]	–	–	–	304 270 490	304 270 490	304 270 490
Foreign deposits	–	–	93 284 583	–	93 284 583	–
Other financial liabilities	–	–	–	2 931 168	2 931 168	2 931 168
SARB debentures	–	–	–	15 010 035	15 010 035	15 010 035
FEC liabilities	–	7 896 061	–	–	7 896 061	–
GFECRA	–	315 584 260	–	–	315 584 260	–
Unrecognised financial liabilities						
CLF	–	–	–	–	–	26 150 000
Guarantees	–	–	–	–	–	16 468 402

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

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

3 *The classification was corrected in the current year from 'designated at FVPL' to 'mandatory FVPL' to better reflect the SARB and CPD accounting policy and operating model. The change purely relates to classification and has no impact on the statement of financial position and statement of profit or loss and other comprehensive income.*

4 *The classification of money market investments and fixed deposits was corrected in the current year to 'amortised cost'. These instruments were incorrectly classified as 'designated at FVPL' in the prior year. Due to the operating model and SPPI assessment within CPD, these instruments are held within a 'hold to collect' business model. This change does not impact measurement and has no impact on presentation in the statement of financial position. The impact on the statement of profit or loss and other comprehensive income for the prior year is not material.*

30. Classification of financial assets and liabilities continued

	Notes	FVOCI R'000	SARB Act R'000	FVPL (Mandatory) R'000	Amortised cost R'000	Total R'000	Fair value[1] R'000
SARB 2022							
Financial assets							
Amounts due by Group companies	34.4	–	–	–	3 027	3 027	3 027
Accommodation to banks	3	–	–	–	49 505 127	49 505 127	49 505 127
Other financial assets	5	–	–	–	745 921	754 921	745 921
Gold and foreign exchange reserves	6	–	215 773 765	627 063 349	–	842 837 114	–
FEC assets	8	–	75 977	–	–	75 977	–
Loans and advances	9	–	–	–	12 072 291	12 072 291	12 072 291
SA government bonds	10	–	–	40 503 364	–	40 503 364	–
Equity investment in BIS	11	5 156 983	(202 616)	–	–	4 954 367	–
Unrecognised financial assets							
Guarantees	33	–	–	–	–	–	15 072 291
Financial liabilities							
Notes and coin in circulation	15	–	–	–	171 097 062	171 097 062	171 097 062
Deposit accounts[2]	16	–	–	–	291 647 393	291 647 393	291 647 393
Amounts due by Group companies	34.4	–	–	–	64 709 782	64 709 782	64 709 782
Foreign deposits	17	–	–	85 143 409	–	85 143 409	–
Other financial liabilities	18	–	–	–	1 326 282	1 326 282	1 326 282
SARB debentures	19	–	–	–	3 806 503	3 806 503	3 806 503
FEC liabilities	8	–	1 816 178	–	–	1 816 178	–
GFECRA	21	–	314 283 429	–	–	314 283 429	–
Unrecognised financial liabilities							
Guarantees	33	–	–	–	–	–	18 572 291

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

30. Classification of financial assets and liabilities continued

	Notes	FVOCI R'000	SARB Act R'000	FVPL (Mandatory)[3] R'000	Amortised cost R'000	Total R'000	Fair value[1] R'000
SARB 2021							
Financial assets							
Accommodation to banks	3	–	–	–	44 861 737	44 861 737	44 861 737
Other financial assets	5	–	–	–	1 199 777	1 199 777	1 199 777
Gold and foreign exchange reserves	6	–	145 749 686	633 187 975	–	778 937 661	–
FEC assets	8	–	72 082	–	–	72 082	–
Loans and advances	9	–	–	–	13 726 181	13 726 181	13 726 181
SA government bonds	10	–	–	39 266 475	–	39 266 475	–
Equity investment in BIS	11	5 897 722	(845 909)	–	–	5 051 813	–
Unrecognised financial assets							
Guarantees	33	–	–	–	–	–	16 468 402
Financial liabilities							
Notes and coin in circulation	15	–	–	–	168 338 965	168 338 965	168 338 965
Deposit accounts[2]	16	–	–	–	222 908 759	222 908 759	222 908 759
Amounts due to Group companies	34.4	–	–	–	38 352 704	38 352 704	38 352 704
Foreign deposits	17	–	–	93 284 583	–	93 284 583	–
Other financial liabilities	18	–	–	–	1 180 092	1 180 092	1 180 092
SARB debentures	19	–	–	–	15 010 035	15 010 035	15 010 035
FEC liabilities	8	–	7 896 061	–	–	7 896 061	–
GFECRA	21	–	315 584 260	–	–	315 584 260	–
Unrecognised financial liabilities							
CLF	33	–	–	–	–	–	26 150 000
Guarantees	33	–	–	–	–	–	19 968 402

1 *Fair values have been disclosed only for instruments carried at amortised cost. Carrying value has been used where it closely approximates fair value.*
2 *Included in deposit accounts are amounts that do not bear interest. These deposit accounts do not have fixed maturity dates.*
3 *The classification was corrected in the current year from 'designated at FVPL' to 'mandatory FVPL' to better reflect the SARB and CPD accounting policy and operating model. The change purely relates to classification and has no impact on the statement of financial position and statement of profit or loss and other comprehensive income.*

31. Fair value hierarchy disclosures

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

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

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

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

The Group's policy is to recognise transfers into and transfers out of the fair value hierarchy levels as at the date of the event or change in circumstances that caused the transfer. During the year under review there were no transfers between any of the levels (2021: none).

31.1 VALUATION TECHNIQUES USED TO DERIVE LEVEL 1 FAIR VALUES

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

31.2 VALUATION TECHNIQUES USED TO DERIVE LEVEL 2 FAIR VALUES

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

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

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

31.3 VALUATION TECHNIQUES USED TO DERIVE LEVEL 3 FAIR VALUES

The equity investment in the BIS is classified as Level 3. It is valued at the net asset value adjusted by 30.00%. This adjustment is not subject to sensitivity. The adjusted net asset value is based on XDRs. 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. Refer to note 12 for more detail.

31. Fair value hierarchy disclosures continued

RECONCILIATION OF ASSETS AND LIABILITIES MEASURED AT LEVEL 3

	Notes	Opening balance	Gains recognised in OCI	Purchases	Sales	Transfers to GFECRA	Closing balance
GROUP 2022							
Assets							
Financial assets at FVOCI							
Equity investment in BIS	11	**5 051 813**	**105 170**	**–**	**–**	**(202 616)**	**4 954 367**
Property, plant and equipment							
Valuable art	12	**144 417**	**44 825**	**2 320**	**(6)**	**–**	**191 556**
Total		**5 196 230**	**149 995**	**2 320**	**(6)**	**(202 616)**	**5 145 923**
GROUP 2021							
Assets							
Financial assets at FVOCI							
Equity investment in BIS	11	5 635 768	261 954	–	–	(845 909)	5 051 813
Property, plant and equipment							
Valuable art	12	132 825	9 454	2 138	–	–	144 417
Total		5 768 593	271 408	2 138	–	(845 909)	5 196 230

	Notes	Opening balance	Gains recognised in OCI	Purchases	Sales	Transfers to GFECRA	Closing balance
SARB 2022							
Assets							
Financial assets at FVOCI							
Equity investment in BIS	11	**5 051 813**	**105 170**	**–**	**–**	**(202 616)**	**4 954 367**
Property, plant and equipment							
Valuable art	12	**144 417**	**44 825**	**2 320**	**(6)**	**–**	**191 556**
Total		**5 196 230**	**149 995**	**2 320**	**(6)**	**(202 616)**	**5 145 923**
SARB 2021							
Assets							
Financial assets at FVOCI							
Equity investment in BIS	11	5 635 768	261 954	–	–	(845 909)	5 051 813
Property, plant and equipment							
Valuable art	12	132 825	9 454	2 138	–	–	144 417
Total		5 768 593	271 408	2 138	–	(845 909)	5 196 230

31. Fair value hierarchy disclosures continued

	Notes	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
GROUP 2022					
Items measured at fair value					
Non-financial assets					
Property, plant and equipment	12	–	–	191 556	191 556
Financial assets					
Investments	4	–	176 775	–	176 775
Gold and foreign exchange reserves	6	509 965 984	332 871 130	–	842 837 114
Gold coin and bullion		113 363 859	–	–	113 363 859
Money market instruments and deposits		–	103 625 380	–	103 625 380
Securities		396 525 730	126 777 548	–	523 303 278
Derivatives		76 395	58 296	–	134 691
IMF SDR assets		–	102 409 906	–	102 409 906
FEC assets	8	–	75 977	–	75 977
SA government bonds	10	40 503 364	–	–	40 503 364
Equity investment in BIS	11	–	–	4 954 367	4 954 367
Financial liabilities					
FEC liabilities	8	–	1 816 178	–	1 816 178
Foreign deposits	17	–	85 143 409	–	85 143 409
Items measured at amortised cost					
Financial assets					
Cash and cash equivalents	2	–	22 432 682	–	22 432 682
Accommodation to banks	3	–	49 505 127	–	49 505 127
Investments	4	–	5 135 058	–	5 135 058
Other financial assets	5	–	845 549	–	845 549
Loans and advances	9	–	12 080 901	–	12 080 901
Financial liabilities					
Notes and coin in circulation	15	–	171 097 062	–	171 097 062
Deposit accounts	16	–	383 246 937	–	383 246 937
Other financial liabilities	18	–	2 097 560	–	2 097 560
SARB debentures	19	–	3 806 503	–	3 806 503
GFECRA	21	314 283 429	–	–	314 283 429

31. Fair value hierarchy disclosures continued

	Notes	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
GROUP 2021					
Items measured at fair value					
Non-financial assets					
Property, plant and equipment	12	–	–	144 417	144 417
Financial assets					
Investments[1]	4	–	218 240	–	218 240
Gold and foreign exchange reserves	6	423 420 854	355 516 807	–	778 937 661
Gold coin and bullion		100 472 034	–	–	100 472 034
Money market instruments and deposits		–	82 488 418	–	82 488 418
Securities		322 919 404	227 610 715	–	550 530 119
Derivatives		29 416	140 022	–	169 438
IMF SDR assets		–	45 277 652	–	45 277 652
FEC assets	8	–	72 082	–	72 082
SA government bonds	10	39 266 475	–	–	39 266 475
Equity investment in BIS	11	–	–	5 051 813	5 051 813
Financial liabilities					
FEC liabilities	8	–	7 896 061	–	7 896 061
Foreign deposits	17	–	93 284 583	–	93 284 583
Items measured at amortised cost					
Financial assets					
Cash and cash equivalents[1]	2	–	38 400 725	–	38 400 725
Accommodation to banks	3	–	44 861 737	–	44 861 737
Investments[1]	4	–	6 083 203	–	6 083 203
Other financial assets	5	–	1 296 048	–	1 296 048
Loans and advances	9	–	13 726 181	–	13 726 181
Financial liabilities					
Notes and coin in circulation	15	–	168 338 965	–	168 338 965
Deposit accounts	16	–	304 270 490	–	304 270 490
Other financial liabilities	18	–	2 931 168	–	2 931 168
SARB debentures	19	–	15 010 035	–	15 010 035
GFECRA	21	315 584 260	–	–	315 584 260

[1] *The classification of money market investments and fixed deposits was corrected in the current year to 'amortised cost'. These instruments were incorrectly classified as 'designated at FVPL' in the prior year. Due to the operating model and SPPI assessment within CPD, these instruments are held within a 'hold to collect' business model. This change does not impact measurement and has no impact on presentation in the statement of financial position. The impact on the statement of profit or loss and other comprehensive income for the prior year is not material.*

31. Fair value hierarchy disclosures continued

	Notes	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
SARB 2022					
Items measured at fair value					
Non-financial assets					
Property plant and equipment	12	–	–	191 556	191 556
Financial assets					–
Gold and foreign exchange reserves	6	509 965 984	332 871 130	–	842 837 114
Gold coin and bullion		113 363 859	–	–	113 363 859
Money market instruments and deposits		–	103 625 380	–	103 625 380
Securities		396 525 730	126 777 548	–	523 303 278
Derivatives		76 395	58 296	–	134 691
IMF SDR assets		–	102 409 906	–	102 409 906
FEC assets	8	–	75 977	–	75 977
SA government bonds	10	40 503 364	–	–	40 503 364
Equity investment in BIS	11	–	–	4 954 367	4 954 367
Financial liabilities					
FEC liabilities	8	–	1 816 178	–	1 816 178
Foreign deposits	17	–	85 143 409	–	85 143 409
Items measured at amortised cost					
Financial assets					
Amounts due from Group companies	34.4	–	3 027	–	3 027
Accommodation to banks	3	–	49 505 127	–	49 505 127
Other financial assets	5	–	745 921	–	745 921
Loans and advances	9	–	12 072 291	–	12 072 291
Financial liabilities					
Notes and coin in circulation	15	–	171 097 062	–	171 097 062
Deposit accounts	16	–	291 647 393	–	291 647 393
Amounts due to Group companies	34.4	–	64 709 782	–	64 709 782
Other financial liabilities	18	–	1 326 282	–	1 326 282
SARB debentures	19	–	3 806 503	–	3 806 503
GFECRA	21	314 283 429	–	–	314 283 429

31. Fair value hierarchy disclosures continued

	Notes	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
SARB 2021					
Items measured at fair value					
Non-financial assets					
Property, plant and equipment	12	–	–	144 417	144 417
Financial assets					
Gold and foreign exchange reserves	6	423 420 854	355 516 807	–	778 937 661
Gold coin and bullion		100 472 034	–	–	100 472 034
Money market instruments and deposits		–	82 488 418	–	82 488 418
Securities		322 919 404	227 610 715	–	550 530 119
Derivatives		29 416	140 022	–	169 438
IMF SDR assets		–	45 277 652	–	45 277 652
FEC assets	8	–	72 082	–	72 082
SA government bonds	10	39 266 475	–	–	39 266 475
Equity investment in BIS	11	–	–	5 051 813	5 051 813
Financial liabilities					
FEC liabilities	8	–	7 896 061	–	7 896 061
Foreign deposits	17	–	93 284 583	–	93 284 583
Items measured at amortised cost					
Financial assets					
Accommodation to banks	3	–	44 861 737	–	44 861 737
Other financial assets	5	–	1 199 777	–	1 199 777
Loans and advances	9	–	13 726 181	–	13 726 181
Financial liabilities					
Notes and coin in circulation	15	–	168 338 965	–	168 338 965
Deposit accounts	16	–	222 908 759	–	222 908 759
Amounts due to Group companies	34.4	–	38 352 704	–	38 352 704
Other financial liabilities	18	–	1 180 092	–	1 180 092
SARB debentures	19	–	15 010 035	–	15 010 035
GFECRA	21	315 584 260	–	–	315 584 260

32. Income and expenses according to classification of financial instruments

	Total R'000	FVPL (Mandatory)[2] R'000	Amortised cost R'000	FVOCI R'000	SARB Act R'000
GROUP 2022					
Interest revenue	**7 234 863**	**3 882 239**	**3 352 624**	**–**	**–**
Interest expense	**(3 695 217)**	**–**	**(3 695 217)**	**–**	**–**
Fair value losses	**(293 124)**	**(293 124)**	**–**	**–**	**–**
Dividend income related to investments held at year-end	**93 815**	**–**	**–**	**93 815**	**–**
GROUP 2021					
Interest revenue	8 489 411	3 587 500	4 901 911	–	–
Interest expense	(5 623 029)	–	(5 623 029)	–	–
Fair value gains	5 485 066	5 485 066	–	–	–
SARB 2022					
Interest revenue	**5 756 085**	**3 813 506**	**1 942 579**	**–**	**–**
Interest expense	**(2 506 169)**	**–**	**(2 506 169)**	**–**	**–**
Fair value losses	**(459 844)**	**(459 844)**	**–**	**–**	**–**
Dividend income related to investments held at year-end	**766 415**	**–**	**672 600**	**93 815**	**–**
SARB 2021					
Interest revenue	5 481 734	3 347 870	2 133 864	–	–
Interest expense	(2 918 514)	–	(2 918 514)	–	–
Fair value gains	5 737 484	5 737 484	–	–	–
Dividend income related to investments held at year-end[1]	(200)	–	(200)	–	–

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

[2] *The classification was corrected in the current year from 'designated at FVPL' to 'mandatory FVPL' to better reflect the SARB and CPD accounting policy and operating model. The change purely relates to classification and has no impact on the statement of financial position and statement of profit or loss and other comprehensive income.*

33. Commitments and guarantees

33.1 ABL GUARANTEES

R3.0 billion (2021: R3.0 billion) has been guaranteed by the SARB to ABL undertaking to settle unrecoverable loans that Residual Debt Services Limited (under curatorship) (RDS) could not settle in terms of the indemnity agreement. As at 31 March 2022 this facility had not been utilised.

In turn, R3.0 billion (2021: R3.0 billion) has been guaranteed by the SA government to the SARB. A guarantee fee of 30 basis points is payable upon the utilisation of the guarantee facility. As at 31 March 2022 this facility had not been utilised and no loss allowances were required.

33. Commitments and guarantees continued

33.2 COMMITTED LIQUIDITY FACILITIES

The CLFs were 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. The SARB approved the provision of CLFs to assist banks to meet the liquidity coverage ratio.

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

The SARB has since ended the provision of CLF facilities effective 1 December 2021. Consequently, the related fees and collateral will no longer be required.

The total CLFs granted by the SARB for the period 1 January 2021 to 31 December 2021 amounted to R26.2 billion, which were not utilised. Collateral of R42.6 billion, with an expected liquidity value of R38.5 billion, was provided to the SARB to secure these facilities. From 1 December 2021 the CLFs were fully phased out and no further commitments remained with the SARB. Commitment fees of R151.7 million were received of which R113.8 million was accounted for as income and the balance was reflected in other liabilities in the prior year.

An interest rate of repo plus 1.00% would have been charged on drawdown for a period of up to 30 days.

33.3 LOAN GUARANTEE SCHEME

In May 2020, the SARB entered into a LGS with various participating banks for the purposes of the COVID-19 LGS. The SARB provided a guarantee to the commercial banks in respect of the COVID-19 LGS to the extent of the current exposure of R12.1 billion (2021: R13.7 billion). The participating banks may claim losses under the scheme subject to a waterfall arrangement. A claim under the SARB guarantee is only possible after the participating banks exhaust the margin entitlement account, the credit premium account and the borrowers risk portion. In turn, the SA government has issued a guarantee of R100 billion, in favour of the SARB in respect of any losses which may be incurred by the SARB in respect of the COVID-19 LGS.

33.4 CPD GUARANTEE

In June 2020, the SARB provided a guarantee of R3.5 billion to the CPD, a wholly-owned subsidiary of the SARB, in order to cover expected credit losses following the downgrade of the sovereign and losses related to defaults by a certain counterparty and associated impairments recognised for the financial year. In May 2022, the guarantee was extended for a further 12 months until 11 June 2023 and the guarantee amount was reduced to R1.2 billion due to the reduced accumulated losses in the CPD.

33.5 ABHL – LOAN FACILITY

During 2021, a shareholder support transaction was concluded in terms of which the SARB will provide a collateralised loan to ABL of up to R4.0 billion over a four year period in accordance with section 10(1)(f) of the SARB Act. The other shareholders will subscribe to DMTNs in ABL in accordance with the respective pro rata shareholding in ABHL. The SARB will avail R1.0 billion per year to ABL and will advance the funds to ABL at the same time as the other shareholders subscribe to DMTNs. The loan is secured by a cession in security of a portion of ABL's customer loan portfolio, with a collateral cover ratio of 111.00%. The facility remains undrawn as at 31 March 2022.

33.6 CODI GUARANTEE

The SARB will provide a guarantee for the deposits that banks will place with the CODI for the liquidity tier of the deposit insurance fund once the Financial Sector Laws Amendment Bill (FSLAB) has commenced. This will allow banks to recognise the guarantee in the risk-weighting of these assets for regulatory capital purposes. Member banks will have to maintain a deposit of 3.00% of their covered deposits' balance with the CODI for as long as they are licenced. The interest payable will be linked to the investment returns earned on these funds. The collection of funds will start after commencement of the FSLAB.

34. Related party information

34.1 INVESTMENT IN SUBSIDIARIES

	Authorised and issued share capital		GROUP		SARB	
	Number of shares '000	% held	**2022 R'000**	2021 R'000	**2022 R'000**	2021 R'000
CPD[1]	2 000	100	**–**	–	**2 000**	2 000
SABN	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	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 (2021: R0.7 billion) bears no interest and has no fixed terms of repayment. No repayments were made during the year (2021: Rnil). The SARB may demand repayment of the loan provided the subsidiary's assets exceed its liabilities. When recalled, the subsidiary has the option to convert the loan to share capital. The loan is included in the books of the subsidiary as a separate category of equity and is thus treated as an addition to the SARB's investment in subsidiary.

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

	GROUP 2022 R'000	GROUP 2021 R'000	SARB 2022 R'000	SARB 2021 R'000
CPD	**454 911**	1 541 819	**–**	–
SABN	**193 372**	60 264	**–**	–
South African Mint	**360 420**	314 792	**–**	–
Total contribution to Group profit	**1 008 703**	1 916 875	**–**	–

34.1.1 INVESTMENT IN PRESTIGE BULLION

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

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

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

34. Related party information continued

34.1 INVESTMENT IN SUBSIDIARIES CONTINUED

34.1.1 INVESTMENT IN PRESTIGE BULLION CONTINUED

Summarised financial information of Prestige Bullion

	PRESTIGE BULLION	
	2022 R'000	2021 R'000
Statement of financial position		
Current assets	**618 634**	594 183
Total assets	**618 634**	594 183
Total equity	**209 127**	330 511
Current liabilities	**409 507**	263 672
Total liabilities	**409 507**	263 672
Total equity and liabilities	**618 634**	594 183
Statement of comprehensive income		
Revenue	**4 320 308**	4 195 490
Gross profit	**723 903**	622 186
Operating expense	**(27 450)**	(23 581)
Profit before tax	**693 987**	589 273
Total comprehensive income	**499 616**	423 797

34.1.2 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Rand Refinery

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

	GROUP	
	2022 R'000	2021 R'000
Profit attributable to non-controlling interest	**199 847**	169 518
Accumulated non-controlling interest at year-end	**83 435**	131 988
Dividends paid to non-controlling interest	**248 400**	200 000

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

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

At year-end coin inventory of R157.7 million (2021: R161.8 million) was held on behalf of the SARB.

34. Related party information continued

34.3 INVESTMENT IN ASSOCIATE

	Authorised and issued share capital		GROUP		SARB	
	Number of shares '000	% held	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Cost	500 000	50	**5 000 000**	5 000 000	**5 000 000**	5 000 000
Accumulated profit attributable to Group			**1 043 804**	815 357	**–**	–
Provision for impairment			**(2 576 804)**	(2 348 357)	**(1 533 000)**	(1 533 000)
Carrying value of investment in associate			**3 467 000**	3 467 000	**3 467 000**	3 467 000

34.3.1 IMPAIRMENT LOSS RECOGNISED ON INVESTMENT IN ASSOCIATE:

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

The recoverable amount of R3.5 billion (2021: R 3.5 billion) was calculated by means of the 'value in use method' using free cash flows and was based on certain assumptions.

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

- ABHL is a going concern and would be able to continue operating for the foreseeable future.
- The calculations use cash flow projections based on financial budgets approved by ABHL management covering a five-year period.
- A discount rate of 15.74% (2021: 15.74%) was used to calculate the present value of future cash flows. The average discount rate is calculated using the Capital Asset Pricing Model based on market related inputs in various scenarios. The main determinants of which are the South African Risk Free Rate at the time of the valuation, Beta calculated using comparable companies, the Implied Market Risk Premium at the time of the valuation and Alpha risk adjustments based on available market information.
- Funding was secured and there have been no withdrawals as at 31 March 2022 (2021: none). Refer to note 33 for more detail.

34. Related party information continued

34.3 INVESTMENT IN ASSOCIATE CONTINUED

34.3.2 SENSITIVITY ANALYSIS:

	GROUP		SARB	
	2022 R'000	2021 R'000	**2022 R'000**	2021 R'000
The effect of a 1% increase and decrease in the discount rate is as follows:				
ABHL carrying value				
1% decrease	**3 544 908**	3 531 090	**3 544 908**	3 531 090
Valuation basis	**3 467 000**	3 467 000	**3 467 000**	3 467 000
1% increase	**3 391 350**	3 421 226	**3 391 350**	3 421 226
Impairment loss				
1% decrease	**(150 539)**	(54 435)	**77 908**	64 090
Valuation basis	**(228 447)**	(118 525)	**–**	–
1% increase	**(304 097)**	(164 299)	**(75 650)**	(45 774)
The effect of a 10% increase and decrease in the cash flow forecast is as follows:				
ABHL carrying value				
10% decrease	**3 284 122**	3 055 712	**3 284 122**	3 055 712
Valuation basis	**3 467 000**	3 467 000	**3 467 000**	3 467 000
10% increase	**3 649 878**	3 895 034	**3 649 878**	3 895 034
Impairment loss				
10% decrease	**(411 325)**	(529 813)	**(182 878)**	(411 288)
Valuation basis	**(228 447)**	(118 525)	**–**	–
10% increase	**(45 569)**	309 509	**182 878**	428 034

34.4. AMOUNTS DUE TO GROUP COMPANIES

	GROUP		SARB	
	2022 R'000	2021 R'000	**2022 R'000**	2021 R'000
Amounts due by related parties				
African Bank Limited (equity accounted, not consolidated)	**150 000**	–	**150 000**	–
CPD	**65 738 311**	39 438 048	**–**	–
SABN	**3 027**	–	**3 027**	–
SA government	**8 610**	–	**–**	–
South African Mint	**–**	2 173	**–**	–
Amounts due to related parties				
CPD	**64 709 782**	38 350 531	**64 709 782**	38 350 531
SABN	**942 287**	705 804	**–**	–
SA government	**536 235 300**	483 337 291	**459 136 259**	401 982 017
GEFCRA	**316 023 630**	315 584 260	**316 023 630**	315 584 260
Deposits				
Non-interest-bearing	**101 665 025**	44 950 153	**101 592 440**	44 877 568
Interest-bearing	**118 183 860**	122 440 093	**41 157 404**	41 157 404
Other liabilities	**362 785**	362 785	**362 785**	362 785
SARB Retirement Fund	**17 307**	6 457	**–**	
South African Mint	**89 269**	383 886	**–**	2 173

34. Related party information continued

34.5 TRANSACTIONS BETWEEN THE SARB AND ITS RELATED PARTIES

	GROUP		SARB	
	2022 R'000	2021 R'000	**2022 R'000**	2021 R'000
Dividends received	**672 600**	(200)	**672 200**	(200)
CPD	**–**	(200)	**–**	(200)
South African Mint	**672 600**	–	**672 600**	–
Dividends paid	**672 600**	(200)	**–**	(200)
CPD	**–**	(200)	**–**	(200)
South African Mint	**672 600**	–	**–**	–
Interest revenue	**2 620 396**	3 208 833	**13 454**	1 864
African Bank Limited (equity accounted, not consolidated)	**770**	664	**770**	899
CPD	**2 533 880**	1 267 482	**12 684**	965
SABN	**46 244**	40 522	**–**	–
SA government	**31 984**	1 895 241	**–**	–
South African Mint	**7 518**	4 924	**–**	–
Interest expense	**6 260 842**	5 238 002	**2 521 414**	1 266 606
African Bank Limited (equity accounted, not consolidated)	**218**	304	**218**	89
CPD	**2 587 642**	1 312 928	**2 521 196**	1 266 517
SA government	**3 671 557**	3 923 984	**–**	–
SARB Retirement Fund	**1 425**	786	**–**	–
Rent received	**1 315**	1 260	**–**	–
SABN	**1 315**	1 260	**–**	–
Rent paid	**1 315**	1 260	**1 315**	1 260
SABN	**1 315**	1 260	**1 315**	1 260
Admin and management fees received	**39 598**	37 723	**10 135**	9 213
CPD	**3 550**	3 443	**3 550**	3 443
SABN	**27 104**	26 263	**1 098**	1 063
South African Mint	**4 189**	4 021	**732**	711
SARB Retirement Fund	**4 755**	3 996	**4 755**	3 996
Admin and management fees paid	**39 598**	37 723	**29 463**	28 510
CPD	**3 550**	3 443	**–**	–
SABN	**27 104**	26 263	**26 006**	25 200
South African Mint	**4 189**	4 021	**3 457**	3 310
SARB Retirement Fund	**4 755**	3 996	**–**	–
Other income	**2 477 122**	1 768 016	**726**	641
African Bank Limited (equity accounted, not consolidated)	**726**	641	**726**	641
SABN	**1 586 012**	1 121 126	**–**	–
South African Mint	**890 384**	646 249	**–**	–
Cost of new currency	**2 476 396**	1 767 375	**2 476 396**	1 767 375
SABN	**1 586 012**	1 121 126	**1 586 012**	1 121 126
South African Mint	**890 384**	646 249	**890 384**	646 249
Pension fund contributions	**277 209**	259 510	**247 519**	231 087
SARB Retirement Fund	**277 209**	259 510	**247 519**	231 087

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

34. Related party information continued

34.6 DIRECTORS' REMUNERATION

	GROUP		SARB	
	2022 R'000	2021 R'000	**2022 R'000**	2021 R'000
Executive directors: Remuneration				
Governor E L Kganyago				
Remuneration and recurring fringe benefits	**8 309**	8 040	**8 309**	8 040
Other fringe benefits	**140**	87	**140**	87
	8 449	8 127	**8 449**	8 127
Deputy Governor K Naidoo				
Remuneration and recurring fringe benefits	**5 935**	5 743	**5 935**	5 743
Other fringe benefits	**9**	2	**9**	2
	5 944	5 745	**5 944**	5 745
Deputy Governor N Tshazibana				
Remuneration and recurring fringe benefits	**5 935**	5 743	**5 935**	5 743
Other fringe benefits	**28**	16	**28**	16
	5 963	5 759	**5 963**	5 759
Deputy Governor R I Cassim				
Remuneration and recurring fringe benefits	**5 927**	5 733	**5 927**	5 733
Other fringe benefits	**93**	92	**93**	92
	6 020	5 825	**6 020**	5 825
Total remuneration of executive directors	**26 376**	25 456	**26 376**	25 456
Non-executive directors: Remuneration for services				
C B du Toit	**489**	474	**489**	474
D J M S Msomi (Appointed 01 August 2020)	**576**	395	**576**	395
F Cachalia	**208**	648	**208**	648
G M Ralfe (term ended 1 August 2020)	**–**	204	**–**	204
L H Molebatsi	**608**	575	**608**	575
N Vink	**473**	455	**473**	455
N B Mbazima (Appointed 01 August 2020)	**578**	336	**578**	336
M M T Ramano (Appointed 01 August 2020)	**568**	338	**568**	338
R J G Barrow (term ended 1 August 2020)	**–**	786	**–**	228
R le Roux (term ended 1 August 2020)	**–**	163	**–**	163
S Gaibie (Appointed 01 August 2020)	**473**	284	**473**	284
T Nombembe	**1 249**	640	**688**	640
Y G Muthien	**576**	559	**576**	559
Z Hoosen	**651**	565	**651**	565
Total remuneration of non-executive directors	**6 449**	6 422	**5 888**	5 864
Chairs: Retirement fund				
D Konar (term ended 31 July 2020)	**–**	71	**–**	71
T Khangala (Appointed 01 August 2020)	**238**	131	**238**	131
Total remuneration of chairs of retirement fund	**238**	202	**238**	202
Total remuneration of directors	**33 063**	32 080	**32 502**	31 522

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

Our opinion

In our opinion, the financial accounts of the Prudential Authority (the PA) are prepared, in all material respects, in accordance with the basis of accounting described in Note 1 to the financial accounts and the requirements of section 55 of the Financial Sector Regulation Act 9 of 2017.

What we have audited

The PA's financial accounts are set out on pages 102 to 104. The PA's financial accounts comprise the statement of financial position as at 31 March 2022, and the statement of profit or loss and other comprehensive income for the year then ended and the notes to the financial accounts, which include other explanatory information.

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 accounts* 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 Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).*

Emphasis of Matter - Basis of accounting

We draw attention to Note 1 to the financial accounts, which describes the basis of accounting. The financial accounts are prepared for the purpose described therein. As a result, the financial accounts may not be suitable for another purpose.

The financial accounts do not comprise a full set of financial statements prepared in accordance with the basis of accounting described in Note 1 to the financial accounts and the requirements of section 55 of the Financial Sector Regulation Act 9 of 2017. Our opinion is not modified in respect of this matter.

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Chief Executive Officer: L S Machaba
The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4950174682.

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Morris Street East, Woodmead, 2191
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Victor Sekese [Chief Executive]
A comprehensive list of all Directors is available at the company offices or registered office
SizweNtsalubaGobodo Grant Thornton Incorporated Registration Number: 2005/034639/21

Responsibilities of the directors for the financial accounts

The directors are responsible for the preparation of these financial accounts in accordance with Note 1 to the financial accounts and the requirements of section 55 of the Financial Sector Regulation Act 9 of 2017, for determining that the basis of preparation is acceptable in the circumstances and for such internal control as the directors determine is necessary to enable the preparation of the financial accounts that are free from material misstatement, whether due to fraud or error.

In preparing the financial information, the 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 intends to liquidate the SARB or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial accounts

Our objectives are to obtain reasonable assurance about whether the financial accounts 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 accounts.

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

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

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

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Lumko Sihiya
Registered Auditor
Johannesburg, South Africa
13 June 2022

SizweNtsalubaGobodo Grant Thornton Inc.

SizweNtsalubaGobodo Grant Thornton Inc.
Director: Pravesh Hiralall
Registered Auditor
Johannesburg, South Africa
13 June 2022

Prudential Authority annual financial accounts

The PA is the regulator responsible for setting policy and prudential regulatory requirements and supervisor responsible for overseeing compliance with the regulatory requirements of financial institutions that provide financial products, securities services and market infrastructures in South Africa. Established on 1 April 2018 in terms of the FSR Act, the PA is a juristic person operating within the administration of the SARB.

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. The PA financial accounts are prepared in accordance with the accounting policies as set out in note 1 below.

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2022

		PRUDENTIAL AUTHORITY	
	Notes	**2022 R'000**	2021 R'000
Assets			
Other assets		**23 963**	21 808
Total assets		**23 963**	21 808
Liabilities			
Amounts due to insurance companies		**–**	152
Other liabilities		**10 221**	7 916
Unclaimed balances		**13 742**	13 740
Total liabilities		**23 963**	21 808

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 R'000	2021 R'000
Operating income		**13 565**	11 007
Levies	2.1	**–**	–
Fees	2.2	**13 377**	10 642
Penalties	2.3	**–**	–
Other operating income		**188**	365
Expenditure		**(396 265)**	(374 556)
Personnel costs	2.4	**(306 198)**	(277 624)
Operational costs	2.4	**(90 067)**	(96 932)
Amount funded by SARB	2.5	**382 700**	363 549
Profit for the year		**–**	–

1. ACCOUNTING POLICIES

1.1. Other assets

Other assets relate to the notional balance at the end of the reporting period, which represents the difference between cash inflows and outflows during the year in respect of prudential regulatory activity, as well as prepaid expenses. Prepaid expenses relate to operating costs paid before they are due. The prepaid expenses are measured at cost and are recognised when the amount is paid. The prepaid expense balances are subsequently measured at cost and are derecognised in the period in which the related expense is recognised.

1.2. Other liabilities

Other liabilities relate to operating income received in advance. The liabilities are measured at the transaction cost, being the amount actually received and recognised when the amount is received. The balance is subsequently measured at cost and is derecognised in the period in which the related income is recognised.

1.3. Unclaimed balances

Unclaimed balances relate to amounts recovered from an illegal deposit-taking scheme. The amounts recognised are owed to unidentified investors of the scheme who are yet to claim the amounts due to them. The unclaimed balances are recognised when the amounts are recovered from the scheme and are measured at the amount payable to the investors, being the amount actually recovered. The unclaimed balances are subsequently measured at cost and are derecognised when the amounts are paid to the relevant investors.

1.4. Operating income

Operating income consists of levies, fees and penalties charged to financial institutions. The levies, fees and income are charged and measured in accordance with the relevant legislation. Operating income is recognised per the amount invoiced to the financial institution, in the period in which the amount relates.

1.5. Personnel and operating costs

Personnel and operating costs relate to direct costs incurred for the administration of the PA. These costs are measured at the transaction amount and are recognised as expenses in the period incurred.

1.6. Amounts borne by the SARB

Net costs incurred for the administration of the PA, borne by the SARB. These costs are measured at the transaction amount and are recognised as expenses in the period incurred, net of recoveries.

2. EXPLANATORY NOTES

2.1 **Levies** will be charged once the new Financial Sector Levies Bill (Levies Bill) is operational to collect the necessary levies on 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.

2.2. **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.

2.3. **Penalties** are raised for non-compliance by persons within the regulated sector should they be found guilty of contravening a financial sector law or an enforceable undertaking accepted by the PA. The PA deducts from this total all costs incurred in making and enforcing the administrative penalty order. The remaining balance after applying this deduction is paid into the National Revenue Fund (if any). The SARB also has a responsibility in terms of the Financial Intelligence Centre Act 38 of 2001 Act (FIC Act) to ensure that banks and life insurance companies comply with the FIC Act. The SARB has authority in terms of the Section 45C of the FIC Act to impose administrative sanctions on these entities if and when they fail to comply with a provision, order, determination or directive made in terms of this act. The SARB issues notices with the said penalties to the relevant entities but does not account for the penalties in its financial statements as the penalties imposed are paid directly to the NRF. Total penalties issued on behalf of the SA government in this regard amounted to R12.8 million (2021: R0.2 million).

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

	PRUDENTIAL AUTHORITY	
	2022 R'000	2021 R'000
Operating costs include:	**90 067**	96 932
Membership fees	**1 739**	2 095
Official functions	**695**	287
Other operating costs	**2 609**	1 604
Professional fees	**83 602**	91 269
Training cost (foreign and local)	**1 090**	1 602
Travel expenses (foreign and local)	**332**	75

2.5. **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

DMTN: Domestic medium-term notes

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 Standards

IAS 1: IAS 1 Presentation of Financial Statements

IAS 37: IAS 37 Provisions, Contingent Liabilities and Contingent Assets

IAS 19: IAS 19 Employee Benefits

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

IFRS: International Financial Reporting Standards

IFRS 9: IFRS 9 Financial Instruments

IFRS 15: IFRS 15 Revenue from Contracts with Customers

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

LGS: Loan guarantee scheme

Moody's: Moody's Investors Services

MPC: Monetary Policy Committee

OCI: Other comprehensive income

PA: Prudential Authority

PEB remeasurement reserve: Post-employment benefit remeasurement reserve

PPE revaluation reserve: Property, plant and equipment revaluation reserve

Prestige Bullion: Prestige Bullion (RF) Proprietary Limited

PwC: PricewaterhouseCoopers

Repo: Repurchase agreements

Repo rate: Repurchase rate

RF: Ring Fenced

SA government: South African government

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

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

SARB debentures: South African Reserve Bank debentures

SDR: Special Drawing Rights

SICR: Significant increase in credit risk

SNG Grant Thornton: SizweNtsalubaGobodo Grant Thornton Inc.

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

SPPI: Solely payments of principal and interest

the Board: Board of Directors of the SARB

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

the SARB: The South African Reserve Bank

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