SOUTH AFRICAN RESERVE BANK

SOUTH AFRICAN RESERVE BANK
ANNUAL FINANCIAL STATEMENTS 2022/23

Policymaking in the interest of **balanced** and **sustainable growth**

Contents

Online

The full annual financial statements of the SARB Group are available at **https://www.resbank.co.za/en/home/publications/reports/annual-reports**

Feedback

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

Directors' report

for the year ended 31 March 2023

Introduction

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

The 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 the relevant statutory information requirements.

It is the responsibility of the directors to prepare the 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 the volatility in financial markets, mainly as a result of interest rate hikes by central banks globally in an attempt to curb the steep rise in inflation, among other factors. The directors have also considered the impact of the ongoing 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 directors have concluded that the impact of the volatility in financial markets has had no effect on the going concern of the SARB and its subsidiaries. However, these matters will be monitored and included in considerations for forward-looking information.

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

The directors are responsible for governance, which is monitored on an ongoing basis. The SARB applies the principles and guidelines of the *King IV™ Report on Corporate Governance for 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 6 of the annual report.

In exceptional circumstances, as part of its central banking functions, the SARB may act as a '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 the conditions giving rise to a 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.
- South African Bank Note Company (RF) Proprietary Limited (SABN), which produces banknotes.
- The Corporation for Public Deposits (CPD), which receives and invests call deposits from the SA government and public entities. The SARB has re-issued a guarantee in favour of the CPD of R0.8 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 2024.
- 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).

During the 2020/21 financial year, a shareholder support transaction was concluded in terms of which the SARB would 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 would subscribe to domestic medium-term notes (DMTN) in ABL according to the respective pro rata shareholding in ABHL. The SARB committed to avail R1.0 billion each year to ABL and would advance the funds to ABL at the same time as the other shareholders subscribe to the DMTNs. The loan was secured by a cession in security of a portion of ABL's customer loan portfolio, with a collateral cover ratio of 111%. The facility remained undrawn at 31 March 2022 and was subsequently cancelled in September 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 23.

Financial results

The net investment income of the SARB, derived mainly from foreign investments and accommodation to banks, increased by R4.4 billion to R7.2 billion (2021/22: R5.5 billion decrease to R2.8 billion). Operating costs increased by R0.9 billion to R8.0 billion (2021/22: R0.3 billion increase to R7.1 billion). A previously recognised impairment of the investment in associate of R0.6 billion has been reversed in the current year. The net result of these factors was a profit after taxation of R0.8 billion (2021/22: R2.0 billion loss) for the year ended 31 March 2023.

The South African Mint (including Prestige Bullion) made a profit after taxation of R0.4 billion (2021/22: R0.4 billion) attributable to the Group, and declared a dividend of R0.3 billion (2021/22: R0.7 billion) to the SARB. Refer to note 34 for further detail.

SABN profit after taxation has remained consistent from the prior year at R0.2 billion (2021/22: R0.2 billion). Refer to note 34 for further detail.

The CPD profit after taxation has remained consistent from the prior year at R0.5 billion (2021/22: R0.5 billion). For the year ended 31 March 2023, there was no amount due to the SA government (2021/22: Rnil) in accordance with the CPD Act. Refer to note 34 for further detail.

ABHL made a profit after taxation of R0.2 billion (2021/22: R0.2 billion) attributable to the Group. The directors have noted the improved profitability of ABHL, as announced in its financial results presentation in November 2022, as well as the recent acquisitions of Ubank and Grindrod Bank 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 R201.0 billion to R1.2 trillion (2021/22: R69.9 billion increase to R962.8 billion), largely due to increases in gold and foreign exchange reserves of R251.0 billion, offset by a decrease in accommodation to banks of R47.0 billion.

The total assets of the South African Mint (including Prestige Bullion) increased by R0.5 billion to R2.6 billion (2021/22: R0.2 billion decrease to R2.1 billion), mainly attributable to a higher inventory balance at the reporting date.

SABN's total assets increased by R0.2 billion to R2.8 billion (2021/22: R0.2 billion increase to R2.6 billion), attributable to higher call deposit investments.

The CPD's total assets increased by R16.5 billion to R108.5 billion (2021/22: R9.5 billion increase to R92.0 billion), largely as a result of a net increase in short-term cash and fixed deposit investments.

During the 2020/21 financial year, a counterparty defaulted on its promissory notes which resulted in the recognition of a fair value loss. As at 31 March 2023, the outstanding nominal value of the debt was R0.7 billion. Capital repayments of R0.2 billion were received from that counterparty during the current financial year (2021/22: R0.2 billion). The directors are monitoring communication from the counterparty on the possible restructure of the debt.

The total liabilities of the SARB increased by R200.0 billion to R1.1 trillion (2021/22: R71.5 billion increase to R939.04 billion) largely due to increases in local and foreign currency deposit accounts of R96.0 billion and R144.0 billion in the gold and foreign exchange contingency reserve account, offset by a R40.0 billion decrease in intercompany liabilities.

The total liabilities of the South African Mint (including Prestige Bullion) increased by R0.4 billion to R1.2 billion (2021/22: R0.2 billion increase to R0.8 billion), mainly attributable to an increase in trade payables.

SABN's total liabilities have remained consistent from the prior financial year at R0.6 billion (2021/22: R0.6 billion).

The CPD's total liabilities increased by R16.0 billion to R108.6 billion (2021/22: R18.1 billion increase to R92.6 billion), largely due to an increase in deposits of R15.0 billion.

The SARB's contingency reserve increased by R0.8 billion to R20.4 billion (2021/22: R2.0 billion decrease to R19.6 billion) due to a transfer of the current year profit after taxation of R0.8 billion to the contingency reserve.

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

Dividends

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

- an interim dividend of five cents per share was approved by the Board on 28 September 2022 and paid to shareholders on 28 October 2022; and
- the final dividend of five cents per share was approved by the Board on 9 March 2023 and paid to shareholders on 26 May 2023.

The total dividend paid for the financial year was R0.2 million (2021/22: R0.2 million).

Directors

The composition of the Board at 31 March 2023 is reported on pages 28 to 31 of the annual report.

At the annual Ordinary General Meeting (AGM) held on 29 July 2022, the terms of C B (Charlotte) Buitendag and Z (Zoaib) Hoosen, as non-executive directors with knowledge and skills in industry; and the term of office of N (Nicholas) Vink as a non-executive director with knowledge and skills in agriculture expired. All three incumbents being eligible for nomination and re-election were re-elected as the non-executive directors with knowledge and skills of industry and agriculture, respectively, from 30 July 2022 until the day after the AGM in 2025.

Furthermore, the President appointed Dr K H (Kgabo) Badimo as a South African government appointed non-executive director, for a period of three years with effect from 1 June 2022.

The term of office of M M T (Tryphosa) Ramano as a non-executive director with knowledge and skills in commerce and finance, will expire at the 2023 AGM. Ms Ramano would have completed her first term of office, and is eligible and available for re-election by the shareholders for another term of three years.

The term of office of Dr T (Terence) Nombembe as a South African government appointed non-executive director, will expire on 15 July 2023. Dr Nombembe had served three terms and is no longer eligible for re-appointment. The President was requested to nominate a candidate to replace Dr Nombembe.

As at 31 March 2023 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 reporting date

CPD guarantee

On 15 May 2023, the GEC approved an extension to the financial guarantee issued by the SARB to the CPD for a further 12 months to 11 June 2024 as a result of the continued technical insolvency of the CPD. The guarantee was reduced from R1.2 billion to R0.8 billion due to the reduced accumulated losses in the CPD in the current financial year. The guarantee extension was also approved by the Board on 8 June 2023.

Bounce Back Scheme drawdown

In April 2023, there was an additional drawdown of R137 million on the bounce back scheme facility. The availability period for drawdowns on the facility expired on 30 April 2023 and R262 million of the facility was not utilised.

Acting secretary of the SARB

C (Clivia) Ulland

Registered office

Business address:
370 Helen Joseph Street
Pretoria 0002

Postal address:
PO Box 427
Pretoria 0001

The Board approved the financial statements on 8 June 2023, signed on its behalf by:

E L (Lesetja) Kganyago
Governor of the SARB

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

R (Reshoketswe) Ralebepa
Group Chief Financial Officer

C (Clivia) Ulland
Acting Secretary of the SARB

Statement by the Acting Secretary of the SARB

In my capacity as the Acting 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 2023, 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
Acting Secretary of the SARB

8 June 2023

Report of the Audit Committee

for the year ended 31 March 2023

Introduction

The Audit Committee is a subcommittee of the SARB 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 (CAF) 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 CAF, 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 Audit Committee received feedback from the independent external quality assurance review on the IAD. The review resulted in an overall assessment of 'Generally Conforms' with the Institute of Internal Auditors (IIA) Standards promulgated by the IIA. The maturity level of the IAD according to the IIAs Internal Audit Maturity Capability Model was assessed at Level 4, reflecting IAD as 'Progressive' and generally conforms to the IIA Standards.

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 as well as a formal partner rotation process and audit firm rotation. 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 Governors' Executive Committee and the Audit Committee. Any non-audit services more than the limits set and approved by the Audit Committee cannot be awarded to the external auditors without prior approval by the Audit Committee.

The SARB Board approved forensic investigations carried out into the alleged contravention of the Exchange Control Regulations of 1961. PwC Advisory Services (Pty) Ltd (PwC) 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. The assignment required specialist forensic skills and expertise, and GMI appointed an independent third party – PwC – to conduct the investigation.

The assignment which was expected to end during the 2023 financial year extended into the 2024 financial year. This resulted in the total fees relating to non-audit services by PwC being increased from R65.5 million to R84.9 million, spanning four financial years (2021, 2022, 2023 and 2024). This excludes disbursements and VAT.

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.

External audit firm rotation

PricewaterhouseCoopers Inc. (PwC Inc.) is due for rotation in terms of the mandatory auditor rotation rules of the Independent Regulatory Board of Auditors (IRBA). Accordingly, the SARB Board approved a resolution that PwC Inc. will step down as external auditors of the SARB Group on the completion of the audit work for the financial year ended 31 March 2023.

The Audit Committee was satisfied with the process of selecting a firm of independent external auditors that will replace PwC Inc. as the new joint external auditor of the SARB Group. The appointment of the new audit firm will be tabled for consideration and adoption by the shareholders of SARB at the 2022/23 AGM.

Compliance

The Audit Committee is satisfied that the SARB in the current year 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 the 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 SARB through the ongoing execution of large transformation projects and the replacement of legacy systems in line with the SARB's strategic objectives.

Whistle-blowing

Based on the combined submissions from the Risk Management and Compliance Department and 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 the International Financial Reporting Standards (IFRS). The SARB has chosen to use IFRS, including IFRS 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.

However, the SARB Act takes precedence over IFRS in the areas noted above and, as a result, the recognition and measurement criteria as set out in IFRS have not been followed in these circumstances. In addition, the SARB considers certain recognition and measurement principles as well as disclosures inappropriate to its functions. The SARB's financial statements therefore, disclose less detail than would be required under IFRS. The significant departures from IFRS as a consequence of the above are summarised as follows:

Recognition and measurement

1. According to the SARB Act,

   a. realised and unrealised valuation gains and losses on gold, and realised and unrealised foreign exchange gains and losses on foreign denominated assets and liabilities are for the account of the SA government, and have therefore not been accounted for in profit or loss, as required by *International Accounting Standard (IAS) 21 The Effects of Changes in Foreign Exchange Rates*; and

   b. gold is valued in terms of section 25 of the SARB Act at the statutory gold price. Gold has been recognised as a financial asset of the SARB.

Presentation

In the financial statements,

1. not all information as required by *IFRS 7 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 the 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 100, which comprise the consolidated and separate statements of financial position as at 31 March 2023, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and consolidated and separate statements 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 2023 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, as amended (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 *Auditors' 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 consolidated and separate financial statements are prepared in accordance with the SARB's own accounting policies and the requirements of the SARB Act to satisfy the financial information needs of the SARB's shareholders. As a result, the consolidated and separate financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers Inc., 4 Lisbon Lane, Waterfall City, Jukskei View, 2090
Private Bag X36, Sunninghill, 2157, South Africa
T: +27 (0) 11 797 4000, F: +27 (0) 11 209 5800, www.pwc.co.za

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.

SizweNtsalubaGobodo Grant Thornton Inc., 20 Morris Street East, Woodmead, 2191

P.O. Box 2939, Saxonwold, 2132, T: 011 231 0600

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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

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

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 Statements 2022/23” and the document titled “South African Reserve Bank Annual Report 2022/23”. 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 auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 auditors' report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and/or the SARB to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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
12 June 2023

SizweNtsalubaGobodo Grant Thornton Inc.

SizweNtsalubaGobodo Grant Thornton Inc.
Director: Pravesh Hiralall
Registered Auditor
Johannesburg, South Africa
12 June 2023

Consolidated and separate statements of financial position

as at 31 March 2023

		GROUP		SARB	
	Note	**2023 R'000**	2022 R'000	**2023 R'000**	2022 R'000
Assets					
Cash and cash equivalents	2	**42 426 040**	22 432 682	**–**	–
Amounts due by Group companies	34.4	**–**	–	**7 526**	3 027
Accommodation to banks	3	**2 398 328**	49 505 127	**2 398 328**	49 505 127
Investments	4	**41 305 771**	5 311 833	**–**	–
Other assets	5	**8 204 929**	3 634 077	**7 974 351**	3 497 297
Gold and foreign exchange reserves	6	**1 093 319 055**	842 837 114	**1 093 319 055**	842 837 114
Inventories	7	**1 785 915**	1 347 265	**1 103**	6 001
Forward exchange contract assets	8	**182 601**	75 977	**182 601**	75 977
Loans and advances	9	**10 068 780**	12 080 901	**10 068 780**	12 072 291
Current taxation receivable	24	**753 763**	1 442 311	**753 763**	1 442 311
South African government bonds	10	**33 828 589**	40 503 364	**33 828 589**	40 503 364
Equity investment in Bank for International Settlements	11	**5 866 100**	4 954 367	**5 866 100**	4 954 367
Investments in subsidiaries	34.1	**–**	–	**1 011 000**	1 011 000
Investment in associate	34.3	**4 256 944**	3 467 000	**4 088 445**	3 467 000
Property, plant and equipment	12	**3 874 925**	3 627 955	**2 335 996**	2 074 404
Intangible assets	13	**1 691 668**	896 532	**1 664 714**	865 432
Deferred taxation assets	14	**450 229**	443 871	**450 229**	443 871
Total Assets		**1 250 413 637**	992 560 376	**1 163 950 580**	962 758 583
Liabilities					
Notes and coin in circulation	15	**171 564 848**	171 097 062	**171 564 848**	171 097 062
Deposit accounts	16	**452 426 879**	383 246 937	**345 616 090**	291 647 393
Amounts due to Group companies	34.4	**–**	–	**25 413 100**	64 709 782
Foreign deposits	17	**127 489 306**	85 143 409	**127 489 306**	85 143 409
Other liabilities	18	**9 953 182**	4 844 373	**7 953 317**	4 031 188
South African Reserve Bank debentures	19	**–**	3 806 503	**–**	3 806 503
Forward exchange contract liabilities	8	**81 305**	1 816 178	**81 305**	1 816 178
Current taxation payable	24	**32 789**	13 022	**–**	–
Deferred taxation liabilities	14	**191 554**	181 220	**–**	–
Post-employment benefits	20	**2 654 789**	2 657 436	**2 450 467**	2 452 232
Gold and foreign exchange contingency reserve account	21	**458 714 641**	314 283 429	**458 714 641**	314 283 429
Total Liabilities		**1 223 109 293**	967 089 569	**1 139 283 074**	938 987 176
Equity					
Share capital	22	**2 000**	2 000	**2 000**	2 000
Accumulated profit		**2 557 629**	1 571 365	**–**	–
Statutory reserve		**458 526**	458 526	**458 526**	458 526
Contingency reserve		**20 422 857**	19 642 314	**20 422 857**	19 642 314
Bank for International Settlement revaluation reserve	11	**3 099 256**	3 111 953	**3 099 256**	3 111 953
Property, plant and equipment revaluation reserve	12	**126 618**	122 936	**126 618**	122 936
Post-employment benefit remeasurement reserve	20	**612 893**	478 278	**558 249**	433 678
Non-controlling interest		**24 565**	83 435	**–**	–
Total capital and reserves		**27 304 344**	25 470 807	**24 667 506**	23 771 407
Total liabilities, capital and reserves		**1 250 413 637**	992 560 376	**1 163 950 580**	962 758 583

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

for the year ended 31 March 2023

	Note	GROUP 2023 R'000	GROUP 2022 R'000	SARB 2023 R'000	SARB 2022 R'000
Interest revenue from amortised cost items	32	**6 950 183**	3 352 624	**1 676 990**	1 942 579
Interest revenue from fair value items	32	**9 048 811**	3 882 239	**8 983 219**	3 813 506
Interest expense	32	**(12 360 501)**	(3 695 217)	**(7 337 091)**	(2 506 169)
Net interest revenue		**3 638 493**	3 539 646	**3 323 118**	3 249 916
Fair value gains/(losses)	32	**4 172 478**	(293 124)	**3 869 283**	(459 844)
Dividend income	32	**103 012**	93 815	**363 952**	766 415
Operating income	23.1	**4 030 589**	4 953 122	**495 218**	569 231
Total income		**11 944 572**	8 293 459	**8 051 571**	4 125 718
Movement in credit loss allowances	29.2	**37 890**	79 544	**15 812**	18 040
Operating costs	23.2	**(10 693 634)**	(10 537 542)	**(7 958 033)**	(7 141 740)
Share of net profit of associate	34.3	**168 499**	228 447	**–**	–
Impairment reversal/(loss) on investment in associate	34.3	**621 445**	(228 447)	**621 445**	–
Profit/(Loss) before taxation		**2 078 772**	(2 164 539)	**730 795**	(2 997 982)
Taxation	24	**(196 674)**	672 620	**49 948**	962 391
Profit/(Loss) for the year		**1 882 098**	(1 491 919)	**780 743**	(2 035 591)
Attributable to:					
The parent		**1 767 007**	(1 691 766)	**780 743**	(2 035 591)
Non-controlling interest	34.1.2	**115 091**	199 847	**–**	–
		1 882 098	(1 491 919)	**780 743**	(2 035 591)
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Net (loss)/gain on equity investments designated at fair value through other comprehensive income	11	**(16 195)**	105 170	**(16 195)**	105 170
Revaluation of property, plant and equipment	12	**4 696**	44 825	**4 696**	44 825
Remeasurement of post-employment benefits	20	**184 404**	320 912	**170 645**	306 609
Taxation	14	**(47 305)**	(83 893)	**(43 590)**	(80 499)
Other comprehensive income for the year net of taxation		**125 600**	387 014	**115 556**	376 105
Total comprehensive income/(loss) for the year		**2 007 698**	(1 104 905)	**896 299**	(1 659 486)
Total comprehensive income/(loss) attributable to:					
The parent		**1 892 607**	(1 304 752)	**896 299**	(1 659 486)
Non-controlling interest	34.1.2	**115 091**	199 847	**–**	–
		2 007 698	(1 104 905)	**896 299**	(1 659 486)

Consolidated and separate statements of cash flows

for the year ended 31 March 2023

		GROUP		SARB	
	Note	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Net cash flows generated from/(utilised by) operating activities					
Net cash flows generated from/(utilised by) operations	26	**26 551 276**	(13 380 682)	**5 996 453**	2 087 454
Interest received	32	**6 950 183**	3 352 624	**1 676 990**	1 942 579
Interest paid	32	**(12 360 501)**	(3 695 217)	**(7 337 091)**	(2 506 169)
Taxation received/(paid)	24	**487 972**	(1 031 089)	**708 208**	(734 104)
Dividends paid	25	**(174 161)**	(248 600)	**(200)**	(200)
Dividends received	26	**103 012**	–	**363 952**	–
Net cash flows generated from/(utilised by) operating activities		**21 557 781**	(15 002 964)	**1 408 312**	789 560
Net cash flows utilised by investing activities					
Purchase of property, plant and equipment	12	**(1 433 932)**	(978 608)	**(1 305 455)**	(804 027)
Proceeds on disposal of property, plant and equipment	23.2	**155 057**	109 714	**179 289**	107 146
Purchase of intangible assets	13	**(285 548)**	(96 185)	**(282 146)**	(92 679)
Net cash flows utilised by investing activities		**(1 564 423)**	(965 079)	**(1 408 312)**	(789 560)
Total cash and cash equivalents movement for the year		**19 993 358**	(15 968 043)	**–**	–
Cash and cash equivalents at the beginning of the year	2	**22 432 682**	38 400 725	**–**	–
Total cash and cash equivalents at the end of the year	2	**42 426 040**	22 432 682	**–**	–

Consolidated statement of changes in equity

for the year ended 31 March 2023

	Share capital R'000	PEB remeasurement reserve R'000	PPE revaluation reserve R'000	Contingency reserve R'000	BIS revaluation reserve R'000	Statutory reserve R'000	Accumulated profit R'000	Total R'000	Non-controlling interest R'000	Total R'000
Group										
Balance at 31 March 2021	2 000	240 670	86 897	21 678 105	2 998 586	458 526	1 227 540	26 692 324	131 988	26 824 312
Loss for the year	–	–	–	–	–	–	(1 691 766)	(1 691 766)	199 847	(1 491 919)
Other comprehensive income	–	237 608	36 039	–	113 367	–	–	387 014	–	387 014
Total comprehensive income/(loss) for the year	–	237 608	36 039	–	113 367	–	(1 691 766)	(1 304 752)	199 847	(1 104 905)
Transfer (from)/to reserves	–	–	–	(2 035 791)	–	–	2 035 791	–	–	–
Dividends paid	–	–	–	–	–	–	(200)	(200)	(248 400)	(248 600)
Balance at 31 March 2022	**2 000**	**478 278**	**122 936**	**19 642 314**	**3 111 953**	**458 526**	**1 571 365**	**25 387 372**	**83 435**	**25 470 807**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**1 767 007**	**1 767 007**	**115 091**	**1 882 098**
Other comprehensive income/(loss)	**–**	**134 615**	**3 682**	**–**	**(12 697)**	**–**	**–**	**125 600**	**–**	**125 600**
Total comprehensive income for the year	**–**	**134 615**	**3 682**	**–**	**(12 697)**	**–**	**1 767 007**	**1 892 607**	**115 091**	**2 007 698**
Transfer (from)/to reserves	**–**	**–**	**–**	**780 543**	**–**	**–**	**(780 543)**	**–**	**–**	**–**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**(200)**	**(200)**	**(173 961)**	**(174 161)**
Balance at 31 March 2023	**2 000**	**612 893**	**126 618**	**20 422 857**	**3 099 256**	**458 526**	**2 557 629**	**27 279 779**	**24 565**	**27 304 344**
Note	22									

Consolidated statement of changes in equity continued

for the year ended 31 March 2023

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 gold and foreign exchange contingency reserve account (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 2023 no profits (2022: Rnil) 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 2023 no profits (2022: Rnil) were due to SA government by the CPD.

Non-controlling interest

The Group discloses non-controlling interest as a result of its 100% owned subsidiary (South African Mint) that owns 80% (2022: 60%) in Prestige Bullion.

Separate statement of changes in equity continued

for the year ended 31 March 2023

	Share capital R'000	PEB remeasurement reserve R'000	PPE revaluation reserve R'000	Contingency reserve R'000	BIS revaluation reserve R'000	Statutory reserve R'000	Accumulated profit R'000	Total R'000
SARB								
Balance at 31 March 2021	2 000	206 979	86 897	21 678 105	2 998 586	458 526	–	25 431 093
Loss for the year	–	–	–	–	–	–	(2 035 591)	(2 035 591)
Other comprehensive income	–	226 699	36 039	–	113 367	–	–	376 105
Total comprehensive loss for the year	–	226 699	36 039	–	113 367	–	(2 035 591)	(1 659 486)
Transfer (from)/to reserves	–	–	–	(2 035 791)	–	–	2 035 791	–
Dividends paid	–	–	–	–	–	–	(200)	(200)
Balance at 31 March 2022	**2 000**	**433 678**	**122 936**	**19 642 314**	**3 111 953**	**458 526**	**–**	**23 771 407**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**780 743**	**780 743**
Other comprehensive income/(loss)	**–**	**124 571**	**3 682**	**–**	**(12 697)**	**–**	**–**	**115 556**
Total comprehensive income for the year	**–**	**124 571**	**3 682**	**–**	**(12 697)**	**–**	**780 743**	**896 299**
Transfer (from)/to reserves	**–**	**–**	**–**	**780 543**	**–**	**–**	**(780 543)**	**–**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**(200)**	**(200)**
Balance at 31 March 2023	**2 000**	**558 249**	**126 618**	**20 422 857**	**3 099 256**	**458 526**	**–**	**24 667 506**
Note	22							

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 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 the 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 is recognised in accumulated profit. Refer to note 12 for more details.

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. Refer to note 20 for more details.

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 2023 no amount (2022: no amount) was due to the SA government by the SARB.

Notes to the consolidated and separate financial statements
for the year ended 31 March 2023

1. Accounting policies

1.1 Basis of preparation

The principal accounting policies applied 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 the volatility in financial markets, mainly as a result of interest rate hikes by central banks globally, in an attempt to curb the steep rise in inflation, amongst other factors. The directors have also considered the impact of the ongoing 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 directors have concluded that the impact of the volatility in financial markets has no material effect on the going concern of the SARB and its subsidiaries. These matters will, however, be monitored and included in considerations for forward-looking information. The use of the going concern assumption is therefore deemed to be appropriate.

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

These financial statements comprise the consolidated and separate statement of financial position as at 31 March 2023, 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 2023, 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 104 to 106.

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 changes described alongside.

1.2 New standards and interpretations

1.2.1 New and amended standards adopted by the Group

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

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 *IFRIC 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 1 January 2022. The Group has adopted the amendment for the first time in the 2023 consolidated and separate annual financial statements. The impact of the amendment is not material.

Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9 Financial Instruments

The amendment concerns fees in the '10 per cent' test for derecognition of financial liabilities. Accordingly, in determining the relevant fees, only fees paid or received between the borrower and the lender are to be included. The effective date of the amendment is for years beginning on or after 1 January 2022. The Group has adopted the amendment for the first time in the 2023 consolidated and separate annual financial statements. The impact of the amendment is not material.

Amendments to IAS 16 Property, Plant and Equipment: Proceeds before intended use

The amendment relates to examples of items which are included in the cost of an item of property, plant and equipment. Prior to the amendment, the costs of testing whether the asset is functioning properly were included in the cost of the asset after deducting the net proceeds of selling any items which were produced during the test phase. The amendment now requires that any such proceeds and the cost of those items must be included in profit or loss in accordance with the related standards. Disclosure of such amounts in now specifically required. The effective date of the amendment is for years beginning on or after 1 January 2022. The Group has adopted the amendment for the first time in the 2023 consolidated and separate annual financial statements. The impact of the amendment is not material.

1. Accounting policies continued

1.2 New standards and interpretations continued

1.2.1 New and amended standards adopted by the Group continued

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 1 January 2022. The Group has adopted the amendment for the first time in the 2023 consolidated and separate annual financial statements. The impact of the amendment is not material.

There are no other new or amended standards applicable to the Group for the financial year ended 31 March 2023.

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 on or after 1 January 2023 and have not been early adopted in preparing these financial statements. The Group will adopt these amendments in the relevant financial year in which they become effective. These are as follows:

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 1 January 2023. It is unlikely that the amendment will have a material impact on the Group's financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of accounting policies

IAS 1 was amended to require that only material accounting policy information be disclosed in the financial statements. The amendment will not result in changes to measurement or recognition of financial statement items, but management will review the 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 1 January 2023. It is unlikely that the amendment will have a material impact on the Group's financial statements.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of accounting estimates

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 1 January 2023. It is unlikely that the amendment will have a material impact on the Group's financial statements.

IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. The effective date of the standard is for years beginning on or after 1 January 2023. IFRS 17 will be applicable to CODI, however the Group is unable to reliably estimate the impact of the standard on the financial statements of the Group, as CODI has not commenced with operations. The Group will be able to make an assessment of the impact when the secondary legislation outlining the insurance provisions and operations of CODI has been promulgated. It is expected that the secondary legislation will be effective on 1 April 2024.

Initial application of IFRS 17 and IFRS 9: Comparative information

This amendment relates to the transition requirements of IFRS 17 for entities that first apply IFRS 17 and IFRS 9 at the same time. The amendment regards financial assets for which comparative information is presented on initial application of IFRS 17 and IFRS 9, but where this information has not been restated for IFRS 9. Under the amendment, an entity is permitted to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before. The option is available on an instrument-by-instrument basis. In applying the classification overlay to a financial asset, an entity is not required to apply the impairment requirements of IFRS 9. The effective date of the amendment is for years beginning on or after 1 January 2023. IFRS 17 will be applicable to CODI, however this amendment will not be applicable, as CODI is a new entity and will not have any comparative information to present on initial application of IFRS 17 and IFRS 9.

1. Accounting policies continued

1.2 New standards and interpretations continued

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

Amendment to IAS 1: Classification of liabilities as current or non-current

The amendment clarifies 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 was originally for years beginning on or after 1 January 2023, however this has been deferred to be effective for years beginning on or after 1 January 2024. It is unlikely that the amendment will have a material impact on the Group's financial statements.

Amendments to IAS 1: Non-current liabilities with covenants

The amendment improves the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The amendment also provides guidance on when to classify liabilities arising from covenants as current or non-current. Additional disclosures will be required in the notes to the annual financial statements if an entity classifies liabilities arising from covenants as non-current. The effective date of the amendment is for years beginning on or after 1 January 2024. It is unlikely that the amendment will have a material impact on the Group's financial statements.

Amendments to IFRS 16 Leases: Lease liability in a sale and leaseback

The amendment requires that a seller-lessee in a sale and leaseback transaction, shall determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The effective date of the amendment is for years beginning on or after 1 January 2024. 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.

1.3.2 Investment in associate

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

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.

1. Accounting policies continued

1.3 Group accounting continued

1.3.2 Investment in associate continued

Unrealised gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the 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

1.4.1 Financial assets

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.

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 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.

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

- holding the financial asset to collect the contractual cash flows;
- selling the instrument prior to its contractual maturity to realise its fair value changes; 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:

- 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 represents 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.

1. Accounting policies continued

1.4 Financial instruments continued

1.4.1 Financial assets continued

Classification continued

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, these shares have 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;
- 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

Sections 25 to 28 of the SARB Act prescribe the accounting treatment for specific financial assets, which takes precedent over IFRS. The accounting treatment prescribed by the SARB Act for these specific financial assets is not in line with the requirements of *IFRS 9 Financial Instruments (IFRS 9)* therefore, these instruments are not classified in accordance with IFRS 9 for reporting purposes. The financial reporting framework of the SARB specifically refers to this deviation from IFRS.

The following assets are governed by 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.

The FECs are used as part of the manage monetary policy operations of the SARB and exposures for both assets and liabilities are matched economically. The Group has elected to not apply hedge accounting per IFRS 9. Refer to note 8 for further disclosure.

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 29.2.2, which results in a 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.

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 an ECL allowance recognised and measured as described in note 29.2.2. 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.

1. Accounting policies continued

1.4 Financial instruments continued

1.4.1 Financial assets continued

Subsequent measurement continued

Fair value through profit or loss

A fair value gain or loss on a debt instrument subsequently measured at FVPL is recognised in profit or loss. Interest income using the effective interest method from these financial assets is included in profit or loss.

Fair value through other comprehensive income

Fair value movements in the carrying amount are recognised in 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. Therefore, all these profits or losses are transferred to the GFECRA.

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 loss allowance 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 or 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).

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).

1. Accounting policies continued

1.4 Financial instruments continued

1.4.1 Financial assets continued

Subsequent measurement continued

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

- The ECL allowances calculated by the commercial banks for the portfolio of borrowings under the LGS and BBS are 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 LGS ECL allowance is reduced by the guarantee fee premium which serves as the first and second loss buffer under the waterfall for recovery of losses and thereafter by a 6% borrowers risk portion (third loss buffer) which is borne by the commercial banks. The LGS 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.
- The BBS ECL allowance is limited to the maximum amount guaranteed by the SARB, being 20.5% of the capital amount advanced to commercial banks. The SARB's obligations under the BBS 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 activities 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.

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

Classification

The Group classifies 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 classified as operating 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 measured at amortised cost include:

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities held at FVPL include:

- foreign deposits.

Instruments measured in terms of the SARB Act

Sections 25 to 28 of the SARB Act prescribe the accounting treatment for specific financial liabilities, which takes precedent over IFRS. The accounting treatment prescribed by the SARB Act for these specific financial liabilities is not in line with the requirements of IFRS 9, therefore, 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.

1. Accounting policies continued

1.4 Financial instruments continued

1.4.2 Financial liabilities continued

Classification continued

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.

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.

Subsequent measurement

Amortised cost

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

Instruments measured in terms of the SARB Act

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

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.

Modifications

When the contractual cash flows of a financial instrument are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial instrument, the gross carrying amount is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial instrument's original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). A modification gain or loss is recognised in profit or loss for the change in the gross carrying amount. Any costs or fees incurred adjust the carrying amount of the modified financial instrument and are amortised over the remaining term of the modified financial instrument.

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, provided that the condition for offsetting is met.

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. Accounting policies continued

1.4 Financial instruments continued

1.4.5 Unrecognised financial assets and liabilities

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.

1.5 Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Fair values are determined according to the fair value hierarchy based on the requirements in *IFRS 13 Fair Value Measurement*. Refer to note 31 for further details.

1.5.1 Derivatives

A derivative is a financial instrument, the value of which changes in response to an underlying variable that requires little or no initial investment and is settled at a future date. Fair values are obtained from quoted market prices (excluding transaction costs), dealer price quotations, discounted cash flow models and option-pricing models, which consider current market and contractual prices for the underlying instruments, as well as the time value of money.

1.5.2 Foreign marketable money market investments

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

1.5.3 Local and foreign portfolio investments including securities lending portfolio investments

The fair values of portfolio investments are valued using the quoted 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% 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 by the IMF, 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 are performed 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. Accounting policies continued

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 are recognised as an asset when:

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

Property, plant and equipment are initially recognised at cost.

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

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

Items under construction are not yet available for use therefore, these items are 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
Land	Not depreciated	Indefinite
Furniture and equipment	Straight line	2 to 28
Vehicles	Straight line	5 to 7
Valuable art	Not depreciated	Indefinite
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 continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment is included in 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 the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

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.

1. Accounting policies continued

1.8 Intangible assets continued

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

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

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values. The residual value of an intangible asset with a finite useful life is assumed to be zero, unless it is expected that the intangible asset will be disposed of before the end of its economic life. 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	Depreciation 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 development and is measured at cost. Work in progress is transferred to the related category of assets and amortised accordingly when the asset is completed and available for use.

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

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

1.9 Impairment on non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment, in which case their recoverable amount is estimated. Irrespective of whether there is any indication of impairment, intangible assets not yet available for use are tested for impairment annually.

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.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

The discounted cash flow analysis is used to determine the recoverable amount of the investment in subsidiary or 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 relevant subsidiary or associate board of directors. A five-year forecasting period is used for cash flow projections and where available forecasts fall short of the five-year forecasting period, nominal growth in line with inflation is assumed.

Investments in subsidiaries and associate are also 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. Accounting policies continued

1.10 Gold

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

1.11 Taxation

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

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

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

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

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

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

1.12 Employee benefits

1.12.1 Pension and retirement funds

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

1.12.1.1 Defined benefit plans

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

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

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

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

1. Accounting policies continued

1.12 Employee benefits continued

1.12.1.2 Defined contribution plans

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

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

1.12.2 Post-employment benefits

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

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to 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 Group enters into sale and repurchase (repo) agreements with external counterparties as part of its monetary policy activities. Where securities are sold under agreement to repurchase at a specific future date, at a specific future price, in exchange for cash, the securities sold are not derecognised. A liability for the amount received is recognised in deposits and measured at amortised cost.

Where the Group purchases securities under agreement to resell at a specific future date, at a specific future price, in exchange for cash, the securities purchased are not recognised by the Group. These transactions are, in substance, collateralised advances. The advances are recognised as part of accommodation to banks and measured at amortised cost.

The differences between the purchase and sale prices are treated as interest and amortised over the expected life of the instruments using the effective interest method.

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

1.14 Inventories

Inventories are measured 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. Accounting policies continued

1.15 Cost of new currency

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

1.16 Cash and cash equivalents

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

The statement of cash flows includes cash on hand, bank deposits and 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.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and 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.

1.18.2.1 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 Payment System (NPS) and the Southern African Development Community real-time gross settlement (SADC-RTGS) system. 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.

1. Accounting policies continued

1.18 Revenue recognition continued

1.18.2 Non-interest revenue continued

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 licence fees are fees charged by the SARB to any institution to obtain a licence 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 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 terms 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

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% per annum on the paid-up share capital of the SARB.

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. Accounting policies continued

1.22 Key accounting estimates and judgements continued

1.22.1 Fair value of financial instruments

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

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

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

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

1.22.2 Measurement of expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of counterparties defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 29.2.2 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 or 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 29.2.2.

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 flows of the investee. The key assumptions applied in the discounted cash flow valuation method are the equity market risk premium, SA risk free rate, 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 are set out in note 34.

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 the 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. Accounting policies continued

1.22 Key accounting estimates and judgements continued

1.22.7 Recognition of deferred tax 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 global interest rate hikes 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.

1.23 Leases

The Group assesses whether a contract is, or contains a lease, at the inception of the contract. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the Group has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In certain circumstances the determination of whether the contract is or contains a lease requires significant judgement. In particular, 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 or rate.

Group as lessee

A lease liability and corresponding right of use asset are recognised at the lease commencement date, for all lease agreements for which the Group is a lessee.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

Details of leasing arrangements where the Group is a lessee are presented in note 12.

1. Accounting policies continued

1.23 Leases continued

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed lease payments, including in-substance fixed payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the Group under residual value guarantees;
- the exercise price of purchase options, if the Group is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability (or right of use asset). The related payments are recognised as an expense in the period incurred and are included in operating costs.

The lease liability is presented within Other liabilities on the consolidated and separate statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in interest paid.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right of use asset) when:

- there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the Group will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- there has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate;
- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recognised in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

Right of use assets

Right of use assets are presented within property, plant and equipment on the consolidated and separate statement of financial position.

Lease payments included in the measurement of the right of use asset comprise the following:

- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the Group incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received.

Right of use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right of use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right of use asset reflects that the Group expects to exercise a purchase option, the related right of use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

For right of use assets which are depreciated over their useful lives, the useful lives are determined consistently with items of the same class of property, plant and equipment. Refer to the accounting policy for property, plant and equipment for details of useful lives.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right of use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

2. Cash and cash equivalents

	GROUP		SARB	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Amortised cost				
Bank and cash balances	**18 879 076**	516 100	**–**	–
Short-term South African fixed deposits	**7 075 272**	18 084 106	**–**	–
South African money market investments	**16 471 692**	3 832 476	**–**	–
Total cash and cash equivalents	**42 426 040**	22 432 682	**–**	–

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 7.68% – 7.70% (2022: 4.00% – 5.15%) on short-term South African fixed deposits with financial institutions and 7.40% – 7.70% (2022: 4.37% – 5.00%) on South African 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

Within 1 month	**37 376 505**	17 417 015	**–**	–
Between 1 and 3 months	**5 049 535**	5 015 667	**–**	–
Total financial assets	**42 426 040**	22 432 682	**–**	–

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

Fair value of repo agreements	**16 471 692**	3 832 476	**–**	–
Fair value of collateral received	**16 480 179**	3 866 606	**–**	–
Fair value of collateral permitted to sell or repledge at the reporting date	**16 480 179**	3 866 606	**–**	–
Collateral cover	**100.05%**	100.89%	**–**	–
Maturity date	**7 April 2023**	7 April 2022	**–**	–

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		SARB	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Amortised cost				
Advances under repurchase agreements	**1 800 000**	40 950 000	**1 800 000**	40 950 000
Standing facility	**597 946**	8 545 591	**597 946**	8 545 591
Accrued interest	**382**	9 536	**382**	9 536
Total accommodation to banks	**2 398 328**	49 505 127	**2 398 328**	49 505 127

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

Repo agreements
The standard repo agreements yields interest at the repo rate (2022: repo rate) of the SARB. There were no 90-day repo agreements during the year ended 31 March 2023 (2022: none).

Standard repo agreements	**7.75%**	4.25%	**7.75%**	4.25%

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

Fair value of collateral received	**1 804 014**	40 977 977	**1 804 014**	40 977 977
Fair value of collateral permitted to sell or repledge at the reporting date	**1 804 014**	40 977 977	**1 804 014**	40 977 977
Collateral cover	**100.20%**	100.05%	**100.20%**	100.05%

The collateral received consists of various SA government bonds and Treasury Bills with maturities ranging from one to 26 years (2022: one to 26 years).

At the reporting date, there were no changes in the fair value associated with the collateral (2022: Rnil).

During the year under review, no defaults were experienced (2022: no defaults). The expected credit loss for repo agreements has been assessed to be immaterial.

The counterparties are exposed to interest rate and other risks on the various securities pledged as collateral for the repo agreements. Refer to note 29.2 for further disclosure on 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 the repo rate of the SARB plus 1% (2022: repo plus 1%).

Standing facility	**8.75%**	5.25%	**8.75%**	5.25%

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

Fair value of collateral received	**597 946**	8 545 591	**597 946**	8 545 591
Fair value of collateral permitted to sell or repledge at the reporting date	**597 946**	8 545 591	**597 946**	8 545 591
Collateral cover	**100%**	100%	**100%**	100%

The collateral received consists of SA government bonds and Treasury Bills with maturities ranging from 16 to 35 years (2022: 2 to 10 years).

At the reporting date, none of the collateralised advances were past due or impaired (2022: none). During the year under review, no defaults were experienced (2022: no defaults). The expected credit loss for the standing facility has been assessed to be immaterial.

The counterparties are exposed to interest rate and other risks on the various securities pledged as collateral for the standing facility. Refer to note 29.2 for further disclosure on interest rate risk. 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.

4. Investments

	GROUP		SARB	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Amortised cost				
Short-term South African fixed deposits	**38 364 318**	5 062 473	**–**	–
Short-term South African money market investments	**2 635 915**	72 585	**–**	–
Mandatory FVPL				
Short-term South African money market investments	**305 538**	176 775	**–**	–
Total investments	**41 305 771**	5 311 833	**–**	–
Maturity structure of financial assets				
Within 1 month	**22 127 712**	4 308 588	**–**	–
Between 1 and 3 months	**12 138 264**	1 003 245	**–**	–
Between 3 and 12 months	**7 039 795**	–	**–**	–
Total financial assets	**41 305 771**	5 311 833	**–**	–

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

Maximum exposure to credit risk	**305 538**	176 775	**–**	–

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 agencies: Standard and Poor's, Fitch or Moody's.

5. Other assets

	GROUP		SARB	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Financial assets				
Amortised cost				
LGS margin entitlement and credit premium receivable	**520 832**	320 476	**520 832**	320 476
Loans and advances to staff	**317 997**	296 550	**317 997**	296 550
Other financial assets	**349 304**	228 523	**178 361**	128 895
Non-financial assets				
Treasury SDR account	**6 519 615**	2 517 662	**6 519 615**	2 517 662
Other non-financial assets	**454 425**	221 274	**394 790**	184 122
Value Added Taxation	**42 756**	49 592	**42 756**	49 592
Total other assets	**8 204 929**	3 634 077	**7 974 351**	3 497 297
Maturity structure of financial assets				
Within 1 month	**225 433**	145 286	**178 361**	128 895
Between 1 and 12 months	**441 868**	379 787	**317 997**	296 550
More than 1 year	**520 832**	320 476	**520 832**	320 476
Total financial assets	**1 188 133**	845 549	**1 017 190**	745 921

Financial assets are neither past due nor impaired (2022: none).

Loans and advances to staff comprise of vehicle finance, home loans and other advances to staff and yields interest at repo plus 1% (2022: repo plus 1%).

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 receivable 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 in respect of the COVID-19 loan. 0.50% thereof is the credit premium which gets transferred into the credit premium account.

As at 31 March 2023, an amount of R520.8 million (2022: R320.5 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% 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

	Note(s)	GROUP 2023 R'000	GROUP 2022 R'000	SARB 2023 R'000	SARB 2022 R'000
Mandatory at FVPL					
Money market instruments and fixed deposits	6.1	**197 567 081**	103 625 380	**197 567 081**	103 625 380
Securities	6.2	**632 510 443**	523 303 278	**632 510 443**	523 303 278
Derivatives	6.3	**(82 504)**	134 691	**(82 504)**	134 691
SARB Act					
Gold coin and bullion	6.4	**141 894 925**	113 363 859	**141 894 925**	113 363 859
IMF SDR assets	6.5	**121 429 110**	102 409 906	**121 429 110**	102 409 906
Total gold and foreign exchange reserves		**1 093 319 055**	842 837 114	**1 093 319 055**	842 837 114

6.1 Money market instruments and fixed deposits

	GROUP 2023 R'000	GROUP 2022 R'000	SARB 2023 R'000	SARB 2022 R'000
Cash and money market accounts	**2 534 234**	2 108 322	**2 534 234**	2 108 322
Fixed deposits	**195 032 847**	101 517 058	**195 032 847**	101 517 058
Total money market instruments and fixed deposits	**197 567 081**	103 625 380	**197 567 081**	103 625 380

	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 2023							
Cash and money market accounts	**–**	**2 534 234**	**–**	**–**	**–**	**–**	**2 534 234**
Fixed deposits	**–**	**195 032 847**	**–**	**–**	**–**	**–**	**195 032 847**
Total money market instruments and fixed deposits	**–**	**197 567 081**	**–**	**–**	**–**	**–**	**197 567 081**
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

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	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Asset backed securities	**1 645 290**	526 432	**1 645 290**	526 432
Certificate of deposits	**62 774 705**	46 229 640	**62 774 705**	46 229 640
Commercial papers	**25 028 887**	97 576	**25 028 887**	97 576
Corporate bonds	**5 405 082**	4 651 463	**5 405 082**	4 651 463
Financial bonds	**786 513**	606 013	**786 513**	606 013
Government agency, state, supranational bonds	**212 585 400**	157 436 277	**212 585 400**	157 436 277
Government bonds	**246 859 515**	239 089 453	**246 859 515**	239 089 453
Mortgage backed securities	**18 552 136**	13 502 758	**18 552 136**	13 502 758
Other investments	**154 750**	126 982	**154 750**	126 982
Treasury Bills	**58 718 165**	61 036 684	**58 718 165**	61 036 684
Total securities	**632 510 443**	523 303 278	**632 510 443**	523 303 278

	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 2023							
Financial assets at mandatory FVPL	**–**	**50 831 797**	**50 112 583**	**125 929 404**	**141 164 165**	**264 472 494**	**632 510 443**
Total securities	**–**	**50 831 797**	**50 112 583**	**125 929 404**	**141 164 165**	**264 472 494**	**632 510 443**
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

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 2023				
FECs	**(39 869)**	**18 452**	**(58 321)**	**25 438 417**
Futures contracts	**(42 635)**	**33 665**	**(76 300)**	**9 257 722**
Total derivatives	**(82 504)**	**52 117**	**(134 621)**	**34 696 139**
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

[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 2023						
FEC assets	**18 452**	**–**	**18 452**	**(1 490)**	**–**	**16 962**
FEC liabilities	**(58 321)**	**–**	**(58 321)**	**1 490**	**–**	**(56 831)**
Group and SARB 2022						
FEC assets	78 088	–	78 088	(13 912)	–	64 176
FEC liabilities	(19 792)	–	(19 792)	13 912	–	(5 880)

6. Gold and foreign exchange reserves continued

6.4 Gold coin and bullion

Group and SARB 2023	R'000	Fine ounces
As at 31 March 2022	**113 363 859**	**4 029 765**
Purchases during the year	**540 729**	**17 890**
Sales during the year	**(474 195)**	**(15 732)**
Change in the statutory price	**28 464 532**	**–**
As at 31 March 2023	**141 894 925**	**4 031 923**

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

Gold coin and bullion consists of 4 031 923 fine ounces of gold at the statutory price of R35 192.87 per ounce (2022: 4 029 765 fine ounces at R28 131.63 per ounce).

6.5 IMF SDR assets

In accordance with the SARB Act, the SARB acts as 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 2023, XDR 1.00 was equal to R23.91 (2022: R20.15).

The various rights are disclosed below:

	GROUP		SARB	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
SDR Holdings[1]	**105 783 237**	89 104 199	**105 783 237**	89 104 199
IMF New Arrangements to Borrow financial transactions plan account	**47 273**	158 729	**47 273**	158 729
IMF SDR reserve tranche position account	**15 598 600**	13 146 978	**15 598 600**	13 146 978
Total IMF SDR assets	**121 429 110**	102 409 906	**121 429 110**	102 409 906

[1] *The SDR asset carries interest at an effective rate of 3.46% (2022: 0.32%). SA government PNs have been pledged as collateral against these SDR's.*

The following table presents details of collateral held:

Fair value of collateral received	**42 897 077**	39 576 301	**42 897 077**	39 576 301
Collateral cover	**40.55%**	44.42%	**40.55%**	44.42%

At the reporting date, none of the collateralised advances were past due or impaired (2022: none). During the year under review, no defaults were experienced (2022: no defaults).

7. Inventories

	GROUP 2023 R'000	GROUP 2022 R'000	SARB 2023 R'000	SARB 2022 R'000
Raw materials[1]	**457 535**	490 276	**–**	–
Work in progress[2]	**508 320**	350 454	**–**	–
Consumable stores	**99 291**	86 980	**1 103**	6 001
Maintenance spares	**158 073**	144 445	**–**	–
Finished goods[3]	**562 696**	275 110	**–**	–
Total inventories net of write-downs	**1 785 915**	1 347 265	**1 103**	6 001
Write-downs (included above)	**(18 870)**	(30 718)	**–**	–

Inventories are measured at the lower of cost and net realisable value. The costs incurred by subsidiaries to produce banknotes and coins are expensed as incurred and disclosed in note 23.2 under cost of currency.

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

8. Foreign exchange contract assets and liabilities

	GROUP 2023 R'000	GROUP 2022 R'000	SARB 2023 R'000	SARB 2022 R'000
SARB Act				
Unrealised gains on FECs	**182 601**	75 977	**182 601**	75 977
Unrealised losses on FECs	**(81 305)**	(1 816 178)	**(81 305)**	(1 816 178)
Net unrealised gains/(losses) transferred to GFECRA[1]	**101 296**	(1 740 201)	**101 296**	(1 740 201)

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 R9.7 billion (2022: R47.0 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 2023						
FEC assets	**182 601**	**–**	**182 601**	**(51 963)**	**–**	**130 638**
FEC liabilities	**(81 305)**	**–**	**(81 305)**	**51 963**	**–**	**(29 342)**
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)

9. Loans and advances

	GROUP		SARB	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Amortised cost				
Interest-bearing local loans				
IGCC loan	**–**	8 610	**–**	–
LGS loan	**9 250 911**	12 072 291	**9 250 911**	12 072 291
BBS Loan	**817 869**	–	**817 869**	–
Total loans and advances	**10 068 780**	12 080 901	**10 068 780**	12 072 291

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 loans (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 repo plus 0.25%, which was 8% (2022: 91-day Treasury Bill yield which was 4.35%) at the reporting date.

At the reporting date, none of the IGCC loans were past due or impaired (2022: none). However, an ECL allowance relating to the undrawn portion of the facility was raised to the amount of R0.7 billion (2022: R0.7 billion). Please refer to note 29.2.2 for more details regarding the ECL. During the year under review, no defaults were experienced (2022: no defaults).

Loan Guarantee Scheme

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 R9.3 billion (2022: R12.1 billion) is guaranteed by the SARB. The guarantee is limited to the R9.3 billion allocated to the commercial banks. In turn National Treasury has guaranteed the SARB for losses incurred under the scheme. 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 (2022: 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%.

At the reporting date none of the LGS loans were past due or impaired (2022: none). During the year under review, no defaults were experienced (2022: no defaults).

Bounce Back Scheme

In April 2022, the Bounce Back Scheme (BBS) was established to assist eligible small businesses to recover from the impact of COVID-19, the recent floods and riots in the country. In terms of the scheme, the SARB advanced loans to participating commercial banks who advanced Bounce Back loans to eligible businesses. The SARB has approved facilities of R1.2 billion, of which R0.8 billion had been utilised as at 31 March 2023. The scheme availability period ends on 30 April 2023.

The loan accrues interest at the repo rate. Any default interest that accrues as a result of the commercial 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%.

The SARB has issued a financial guarantee to the commercial banks under the facility, limited to 20.5% of the capital amount advanced. National Treasury has guaranteed the SARB for losses incurred under the scheme up to an amount of R8.0 billion. The guarantee is considered to be an integral part of the scheme therefore it is included in the determination of ECL. Refer to note 33 for further details.

At the reporting date none of the BBS loans were past due or impaired. During the year under review, no defaults were experienced.

10. South African government bonds

	GROUP		SARB	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Mandatory FVPL				
Interest-bearing listed bonds	**32 827 479**	37 784 160	**32 827 479**	37 784 160
Coupon interest accrued	**392 475**	436 523	**392 475**	436 523
Fair value adjustments	**608 635**	2 282 681	**608 635**	2 282 681
Total SA government bonds	**33 828 589**	40 503 364	**33 828 589**	40 503 364
Effective interest rate	**10.48%**	9.87%	**10.48%**	9.87%

There were no purchases of SA government bonds during the current year.

11. Equity investment in Bank for International Settlements

	GROUP		SARB	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
FVOCI				
Opening balance	**4 954 367**	5 051 813	**4 954 367**	5 051 813
Fair value adjustments	**(16 195)**	105 170	**(16 195)**	105 170
Foreign exchange movements transferred to GFECRA	**927 928**	(202 616)	**927 928**	(202 616)
Closing balance	**5 866 100**	4 954 367	**5 866 100**	4 954 367

The carrying amount that would have been recognised had the BIS shares been carried at cost was R624.8 million (2022: R526.6 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 (2022: 8 612), which are carried at FVOCI. The net asset value was adjusted by 30%. 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[1] of XDR 28 491 (2022: XDR 28 550).

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 2023, a movement of R927.9 million (2022: R202.6 million) was transferred to the GFECRA.

[1] *The XDR is a monetary unit of international reserve assets defined and maintained by the 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	2023 Cost/ revaluation R'000	2023 Accumu- lated depre- ciation R'000	2023 Carrying value R'000	2022 Cost/ revaluation R'000	2022 Accumu- lated depre- ciation R'000	2022 Carrying value R'000
Land	**158 453**	**–**	**158 453**	33 218	–	33 218
Buildings	**1 174 421**	**(487 691)**	**686 730**	1 118 834	(443 117)	675 717
Plant, vehicles, furniture and equipment	**5 346 332**	**(3 337 426)**	**2 008 906**	5 102 247	(3 255 072)	1 847 175
Valuable art	**197 684**	**–**	**197 684**	191 556	–	191 556
Work in progress	**823 152**	**–**	**823 152**	880 289	–	880 289
Total	**7 700 042**	**(3 825 117)**	**3 874 925**	7 326 144	(3 698 189)	3 627 955

SARB	2023 Cost/ revaluation R'000	2023 Accumu- lated depre- ciation R'000	2023 Carrying value R'000	2022 Cost/ revaluation R'000	2022 Accumu- lated depre- ciation R'000	2022 Carrying value R'000
Land	**149 028**	**–**	**149 028**	23 793	–	23 793
Buildings	**836 918**	**(360 182)**	**476 736**	783 537	(322 416)	461 121
Plant, vehicles, furniture and equipment	**2 343 334**	**(1 617 291)**	**726 043**	2 166 112	(1 591 871)	574 241
Valuable art	**197 684**	**–**	**197 684**	191 556	–	191 556
Work in progress	**786 505**	**–**	**786 505**	823 693	–	823 693
Total	**4 313 469**	**(1 977 473)**	**2 335 996**	3 988 691	(1 914 287)	2 074 404

12. Property, plant and equipment continued

Reconciliation of property, plant and equipment

GROUP

	2023 R'000						
	Opening balance	Additions	Disposals	Transfers in/(out)	Revaluations	Depreciation	Closing balance
Land	**33 218**	**–**	**–**	**125 235**	**–**	**–**	**158 453**
Buildings	**675 717**	**383**	**(1 649)**	**56 905**	**–**	**(44 626)**	**686 730**
Plant, vehicles, furniture and equipment	**1 847 175**	**161 301**	**–**	**395 782**	**–**	**(395 352)**	**2 008 906**
Valuable art	**191 556**	**2 518**	**(1 086)**	**–**	**4 696**	**–**	**197 684**
Work in progress	**880 289**	**1 269 730**	**–**	**(1 326 867)**	**–**	**–**	**823 152**
Total	**3 627 955**	**1 433 932**	**(2 735)**	**(748 945)**	**4 696**	**(439 978)**	**3 874 925**

	2022 R'000						
	Opening balance	Additions	Disposals	Transfers in/(out)	Revaluations	Depreciation	Closing balance
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

12. Property, plant and equipment continued

Reconciliation of property, plant and equipment

	SARB						
	2023 R'000						
	Opening balance	Additions	Disposals	Transfers in/(out)	Revaluations	Depreciation	Closing balance
Land	**23 793**	**–**	**–**	**125 235**	**–**	**–**	**149 028**
Buildings	**461 121**	**331**	**(1 649)**	**54 700**	**–**	**(37 820)**	**476 683**
Plant, vehicles, furniture and equipment	**574 241**	**176 049**	**–**	**235 080**	**–**	**(259 274)**	**726 096**
Valuable art	**191 556**	**2 518**	**(1 086)**	**–**	**4 696**	**–**	**197 684**
Work in progress	**823 693**	**1 126 557**	**–**	**(1 163 745)**	**–**	**–**	**786 505**
Total	**2 074 404**	**1 305 455**	**(2 735)**	**(748 730)**	**4 696**	**(297 094)**	**2 335 996**

	2022 R'000						
	Opening balance	Additions	Disposals	Transfers in/(out)	Revaluations	Depreciation	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

Leased assets

Included in property plant and equipment are right of use assets with a carrying amount of R41.0 million. The right of use assets relate to the lease of office buildings by the SARB. The lease term is for 3 years, ending on 30 June 2025. There is no lease liability in respect of this lease as the total rentals were paid upfront before the commencement of the lease, and there are no variable lease payments applicable. The right of use asset is depreciated on a straight line basis over the lease term and depreciation of R13.7 million was recognised in the current financial year for this lease. The total cash outflow relating to this lease was R55 million in the current year.

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	**36 180**	34 750	**36 180**	34 750

13. Intangible assets

GROUP	2023 Cost R'000	2023 Accumulated amortisation R'000	2023 Carrying value R'000	2022 Cost R'000	2022 Accumulated amortisation R'000	2022 Carrying value R'000
Internally generated computer software	**302 754**	**(191 170)**	**111 584**	280 060	(166 806)	113 254
Purchased computer software	**1 392 800**	**(1 005 254)**	**387 546**	1 251 437	(829 868)	421 569
Work in progress	**1 192 538**	**–**	**1 192 538**	361 709	–	361 709
Total	**2 888 092**	**(1 196 424)**	**1 691 668**	1 893 206	(996 674)	896 532

SARB	2023 Cost R'000	2023 Accumulated amortisation R'000	2023 Carrying value R'000	2022 Cost R'000	2022 Accumulated amortisation R'000	2022 Carrying value R'000
Internally generated computer software	**302 754**	**(191 170)**	**111 584**	280 060	(166 806)	113 254
Purchased computer software	**1 259 923**	**(895 744)**	**364 179**	1 123 014	(728 120)	394 894
Work in progress	**1 188 951**	**–**	**1 188 951**	357 284	–	357 284
Total	**2 751 628**	**(1 086 914)**	**1 664 714**	1 760 358	(894 926)	865 432

Reconciliation of intangible assets

GROUP

	2023 R'000						
	Opening balance	Additions	Disposals	Transfers	Amortisation	Impairment loss	Total
Internally generated computer software	**113 254**	**855**	**(526)**	**22 365**	**(24 364)**	**–**	**111 584**
Purchased computer software	**421 569**	**823**	**(179 055)**	**166 097**	**(21 888)**	**–**	**387 546**
Work in progress	**361 709**	**283 870**	**–**	**560 483**	**–**	**(13 524)**	**1 192 538**
Total	**896 532**	**285 548**	**(179 581)**	**748 945**	**(46 252)**	**(13 524)**	**1 691 668**

	2022 R'000					
	Opening balance	Additions	Disposals	Transfers	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

13. Intangible assets continued

Reconciliation of intangible assets

	SARB						
	2023 R'000						
	Opening balance	Additions	Disposals	Transfers	Amortisation	Impairment loss	Total
Internally generated computer software	**113 254**	**854**	**(525)**	**22 365**	**(24 364)**	**–**	**111 584**
Purchased computer software	**394 894**	**–**	**(179 055)**	**162 466**	**(14 126)**	**–**	**364 179**
Work in progress	**357 284**	**281 292**	**–**	**563 899**	**–**	**(13 524)**	**1 188 951**
Total	**865 432**	**282 146**	**(179 580)**	**748 730**	**(38 490)**	**(13 524)**	**1 664 714**

	2022 R'000					
	Opening balance	Additions	Disposals	Transfers	Amortisation	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

14. Deferred tax

		GROUP		SARB	
	Note(s)	**2023 R'000**	2022 R'000	**2023 R'000**	2022 R'000
Balance at the beginning of the year		**262 651**	(626 589)	**443 871**	(437 982)
Movements during the year:					
Current year timing differences	24	**43 329**	986 609	**49 948**	982 285
Prior year adjustments	24	**–**	26	**–**	29
Taxation rate change (profit or loss)[1]	24	**–**	(13 464)	**–**	(19 923)
Prior year taxation payment received		**–**	(38)	**–**	(39)
Other comprehensive income		**(47 305)**	(119 189)	**(43 590)**	(115 184)
Taxation rate change (OCI)[1]		**–**	35 296	**–**	34 685
Balance at the end of the year		**258 675**	262 651	**450 229**	443 871
Comprising:					
Deferred taxation assets		**450 229**	443 871	**450 229**	443 871
Deferred taxation liabilities		**(191 554)**	(181 220)	**–**	–
Net deferred taxation asset/(liability)		**258 675**	262 651	**450 229**	443 871

[1] *On 23 February 2022, the Minister of Finance announced a reduction in the corporate income tax rate, from 28% to 27%, effective from years of assessment commencing on or after 31 March 2022. The change is considered to be substantively enacted, therefore the rate applied to deferred tax has been adjusted accordingly.*

14. Deferred tax continued

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

	2021 R'000	Amounts charged to profit or loss R'000	Amounts charged to OCI R'000	2022 R'000	Amounts charged to profit or loss R'000	Amounts charged to OCI R'000	2023 R'000
Group							
Post-employment benefits	777 024	23 788	(83 304)	717 508	**49 075**	**(49 789)**	**716 794**
Prepaid expenditure and other items	(5 965)	20 977	–	15 012	**(4 456)**	**–**	**10 556**
Revaluation adjustments	(25 084)	–	(8 786)	(33 870)	**–**	**(1 014)**	**(34 884)**
Property plant and equipment	(479 683)	(9 265)	–	(488 948)	**(115 635)**	**–**	**(604 583)**
Intangible assets	(139 434)	(50 626)	–	(190 060)	**(52 753)**	**–**	**(242 813)**
Employee benefits accrual	75 131	7 788	–	82 919	**71 416**	**–**	**154 335**
Revenue received in advance	31 851	(31 851)	–	–	**–**	**–**	**–**
Fair value adjustments on BIS shares	(865 572)	–	8 197	(857 375)	**–**	**3 498**	**(853 877)**
Taxation losses	5 143	1 012 322	–	1 017 465	**95 682**	**–**	**1 113 147**
Total deferred taxation	(626 589)	973 133	(83 893)	262 651	**43 329**	**(47 305)**	**258 675**
SARB							
Post-employment benefits	719 495	22 518	(79 910)	662 103	**45 598**	**(46 074)**	**661 627**
Prepaid expenditure and other items	(24 632)	25 328	–	696	**(3 657)**	**–**	**(2 961)**
Revaluation adjustments	(25 084)	–	(8 786)	(33 870)	**–**	**(1 014)**	**(34 884)**
Property plant and equipment	(188 315)	(17 668)	–	(205 983)	**(117 333)**	**–**	**(323 316)**
Intangible assets	(138 689)	(50 615)	–	(189 304)	**(52 424)**	**–**	**(241 728)**
Employee benefits accrual	52 964	(2 825)	–	50 139	**82 082**	**–**	**132 221**
Revenue received in advance	31 851	(31 851)	–	–	**–**	**–**	**–**
Fair value adjustments on BIS shares	(865 572)	–	8 197	(857 375)	**–**	**3 498**	**(853 877)**
Taxation losses	–	1 017 465	–	1 017 465	**95 682**	**–**	**1 113 147**
Total deferred taxation	(437 982)	962 352	(80 499)	443 871	**49 948**	**(43 590)**	**450 229**

The deferred tax assets include an amount of R1.1 billion which relates to carried-forward taxation losses of the SARB. The taxation losses were mainly driven by losses suffered on the foreign assets portfolio due to heightened market volatility. The Group has concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on the approved forecasts for the SARB. The SARB is expected to generate taxable income in the 2023/24 financial year. The taxation losses can be carried forward indefinitely and have no expiry date.

15. Notes and coin in circulation

	GROUP		SARB	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Amortised cost				
Notes	**164 140 536**	164 009 770	**164 140 536**	164 009 770
Coin	**7 424 312**	7 087 292	**7 424 312**	7 087 292
Total notes and coin in circulation	**171 564 848**	171 097 062	**171 564 848**	171 097 062

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	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Amortised cost				
Non-interest-bearing	**268 037 626**	231 191 153	**267 965 041**	231 118 568
Banks' reserve accounts	**143 051 239**	126 875 171	**143 051 239**	126 875 171
Other current accounts	**2 831 827**	2 650 957	**2 831 827**	2 650 957
SA government accounts	**122 154 560**	101 665 025	**122 081 975**	101 592 440
Interest-bearing	**184 389 253**	152 055 784	**77 651 049**	60 528 825
Banks' current accounts	**77 651 049**	19 371 421	**77 651 049**	19 371 421
Call deposits	**106 738 204**	91 526 959	**–**	–
SA government special deposit	**–**	41 157 404	**–**	41 157 404
Total deposit accounts	**452 426 879**	383 246 937	**345 616 090**	291 647 393
Maturity structure of deposit accounts				
On demand	**309 375 640**	195 842 941	**202 564 851**	104 243 397
Subject to negotiation with the SA government	**–**	41 157 404	**–**	41 157 404
Within 1 month	**143 051 239**	146 246 592	**143 051 239**	146 246 592
Total deposit accounts	**452 426 879**	383 246 937	**345 616 090**	291 647 393

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 R0.1 billion (2022: R1.7 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 and the outstanding capital was settled during the year under review.

Call deposits

In terms of the current interest rate policies approved by the CPD Board, call deposits earn interest at a repo rate plus 0.15% (2022: 91-day Treasury Bills yield less 0.10%). The prevailing rate at year-end for call deposits was 7.90% (2022: 4.25%). Margin call deposits are held on behalf of participants of the Johannesburg Stock Exchange Bond Electronic Trading Platform. The SARB does not trade on the platform, but rather holds the deposits for participants of the platform. The margin call deposits earn interest at a repo rate less 0.15% (2022: repo less 0.15%). The prevailing rate at year-end for margin call deposits was 7.60% (2022: 4.10%).

17. Foreign deposits

	GROUP		SARB	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Designated FVPL[1]				
Foreign deposits	**127 489 306**	85 143 409	**127 489 306**	85 143 409

Foreign deposits relate to cash placed with the SARB by subscribers of foreign currency bonds issued by the SA Government. The deposits are managed by the SARB as part of the foreign exchange reserves portfolio until such time when these deposits are withdrawn by National Treasury. Refer to note 29 for further detail on the analyses of the currency composition and maturity structure of these foreign deposits.

[1] *The classification was corrected in the current year from mandatory FVPL to designated FVPL to better reflect the SARB accounting policy and operating model. The change has no financial impact.*

18. Other liabilities

	GROUP		SARB	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Financial liabilities				
Amortised cost				
Accounts payable	**635 252**	381 032	**141 176**	169 653
Accruals	**680 784**	425 120	**557 904**	233 303
LGS provision for loss claims	**520 832**	320 476	**520 832**	320 476
Margin call	**–**	160	**–**	–
Other financial liabilities	**716 273**	607 987	**74 662**	240 065
Profit due to NT	**–**	362 785	**–**	362 785
Non-financial liabilities				
Treasury SDR account	**6 654 612**	2 592 401	**6 654 612**	2 592 401
Other non-financial liabilities	**714 612**	144 022	**4 131**	112 505
Value Added Taxation	**30 817**	10 390	**–**	–
Total other liabilities	**9 953 182**	4 844 373	**7 953 317**	4 031 188
Maturity structure of financial liabilities				
Within 1 month	**1 323 101**	781 241	**773 742**	643 021
Between 1 and 12 months	**709 208**	995 843	**–**	362 785
More than 1 year	**520 832**	320 476	**520 832**	320 476
Total financial liabilities	**2 553 141**	2 097 560	**1 294 574**	1 326 282

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 & 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 to the SA government. Refer to note 6.5 for more details.

19. South African Reserve Bank debentures

	GROUP 2023 R'000	GROUP 2022 R'000	SARB 2023 R'000	SARB 2022 R'000
Amortised cost				
Capital	–	3 805 000	–	3 805 000
Accrued interest	–	1 503	–	1 503
Total SARB debentures	–	3 806 503	–	3 806 503

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 no outstanding unsecured SARB debentures (2022: R3.8 billion).

20. Post-employment benefits

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

	Note(s)	GROUP 2023 R'000	GROUP 2022 R'000	SARB 2023 R'000	SARB 2022 R'000
Amounts recognised in the statement of financial position					
Post-employment medical benefits	20.1	**2 582 937**	2 594 227	**2 386 311**	2 395 895
Post-employment group life benefits	20.2	**71 852**	63 209	**64 156**	56 337
Total post-employment benefits		**2 654 789**	2 657 436	**2 450 467**	2 452 232
Maturity structure of post-employment benefits					
Within 12 months		**388 589**	357 056	**376 107**	345 381
More than 12 months		**2 266 200**	2 300 380	**2 074 360**	2 106 851
Total post-employment benefits		**2 654 789**	2 657 436	**2 450 467**	2 452 232

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. The liability reflected below represents the accumulated post-employment medical benefit liability at 31 March 2023.

		GROUP		SARB	
	Note(s)	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Balance at the beginning of the year					
Movement during the year:		**2 594 227**	2 565 925	**2 395 895**	2 366 898
Amount recognised in profit or loss	23.2	**306 617**	305 994	**283 039**	281 920
Interest cost		**277 458**	275 999	**256 257**	254 588
Service cost		**29 159**	29 995	**26 782**	27 332
Cash movements					
Benefits paid		**(143 756)**	(136 382)	**(132 573)**	(125 862)
Amount recognised in OCI		**(174 151)**	(141 310)	**(160 050)**	(127 061)
Financial assumption (gains)/losses		**(182 528)**	16 534	**(169 886)**	15 402
Experience losses/(gains) on liabilities		**8 377**	(157 844)	**9 836**	(142 463)
Balance at the end of the year		**2 582 937**	2 594 227	**2 386 311**	2 395 895

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. The liability reflected below represents the accumulated post-employment group life benefit liability at 31 March 2023.

		GROUP		SARB	
	Note(s)	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Balance at the beginning of the year		**63 209**	59 381	**56 337**	52 948
Movement during the year:					
Amount recognised in profit or loss	23.2	**8 828**	8 327	**7 854**	7 393
Interest cost		**6 716**	6 344	**5 987**	5 657
Service cost		**2 112**	1 983	**1 867**	1 736
Cash movements					
Benefits paid		**(4 307)**	(3 955)	**(3 815)**	(3 514)
Amount recognised in OCI		**4 122**	(544)	**3 780**	(490)
Financial assumption (gains)/losses		**(4 054)**	322	**(3 632)**	288
Experience losses/(gains) on liabilities		**8 176**	(866)	**7 412**	(778)
Balance at the end of the year		**71 852**	63 209	**64 156**	56 337

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 2023 was R6.0 billion (2022: R5.7 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 1 074 life pensioners (2022: 1 034 life pensioners). Once quoted a life pension, the rules of the fund stipulate that it will not be reduced, and thus, although the pensioner bears the market risk with regard to the annual increase granted, the employer will contribute if there is a shortage in the pension account which supports maintaining pensions at their existing level. This is in effect the only uncovered 'defined benefit' element in the fund. The risk for the retirement fund, and ultimately the SARB, in meeting this defined benefit, is market risk and life expectancy. As the SARB is the sponsor of the fund, the full defined benefit liability resides within the SARB. An *IAS 19 Employee Benefits (IAS 19)* valuation of this defined benefit at 31 March 2023 was performed by an independent actuary, the result of which can be summarised as follows:

	Note(s)	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 2023					
Balance at the beginning of the year		**2 750 143**	**(2 928 837)**	**178 694**	**–**
Movement during the year:					
Amount recognised in profit or loss	23.2	**309 048**	**(313 947)**	**19 299**	**14 400**
Service cost		**12 998**	**–**	**–**	**12 998**
Interest cost/(income)		**296 050**	**(313 947)**	**19 299**	**1 402**
Cash movements		**(43 866)**	**43 841**	**–**	**(25)**
Benefits paid/(received)		**(43 866)**	**43 866**	**–**	**–**
Employer contributions received		**–**	**(25)**	**–**	**(25)**
Amount recognised in OCI		**(257 334)**	**204 977**	**37 982**	**(14 375)**
Financial assumption (gains)/losses		**(352 345)**	**204 977**	**37 982**	**(109 386)**
Experience losses on liabilities		**95 011**	**–**	**–**	**95 011**
Balance at the end of the year		**2 757 991**	**(2 993 966)**	**235 975**	**–**

20. Post-employment benefits continued

20.3 Post-employment retirement fund benefits continued

	Note(s)	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 (received)/paid		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	–

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, 140 pensioners (2022: 157 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 2023 amounted to R105.2 million (2022: R119.0 million), while the plan assets towards this liability amounted to R124.4 million (2022: R135.5 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 different asset classes as at 31 March 2023 per the interim valuation:

Local equities	8.36%
Local property	2.49%
Local fixed interest	63.53%
Cash	1.09%
Foreign investments	14.48%
Other	10.05%
	100%

20. Post-employment benefits continued

20.4 Key assumptions

	Post-employment benefits	
	2023	2022
Discount rate (Post-employment group life and medical benefits)	**11.55%**	11.00%
Discount rate (Post-employment retirement fund benefits)	**11.30%**	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)	**3.77%**	3.26%
Net discount rate (Post-employment group life benefits)	**4.25%**	3.74%
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	**5.90%**	6.00%
Category 2	**4.43%**	4.50%
Category 3	**2.66%**	2.70%
Valuation date	**31 March 2023**	31 March 2022

The key assumptions of the Group and the SARB are the same.

20. Post-employment benefits continued

20.5 Sensitivity analysis

	GROUP		SARB	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
The effect of a 1% increase and decrease in the discount rate is as follows:				
Employers' accrued liability				
1% decrease	**3 387 099**	3 529 604	**3 157 947**	3 298 045
Valuation basis	**2 654 789**	2 657 436	**2 450 467**	2 452 232
1% increase	**1 900 112**	1 766 131	**1 716 387**	1 582 614
Employers' service and interest cost				
1% decrease	**706 946**	703 968	**680 597**	678 301
Valuation basis[1]	**626 508**	615 578	**601 211**	591 025
1% increase	**617 386**	563 360	**593 028**	539 795
The effect of a 1% increase and decrease in the medical inflation rate is as follows:				
Employers' accrued liability				
1% decrease	**1 889 694**	1 758 750	**1 705 680**	1 574 933
Valuation basis	**2 654 789**	2 657 436	**2 450 467**	2 452 232
1% increase	**3 372 886**	3 498 170	**3 144 370**	3 267 302
Employers' service and interest cost				
1% decrease	**560 378**	517 501	**537 754**	495 673
Valuation basis[1]	**626 508**	615 578	**601 211**	591 025
1% increase	**766 442**	761 399	**737 946**	733 560
The effect of a one year increase and decrease in the post-retirement mortality rate is as follows:				
Employers' accrued liability				
1 year downward	**2 560 695**	2 725 655	**2 351 059**	2 514 893
Valuation basis	**2 654 789**	2 657 436	**2 450 467**	2 452 232
1 year upward	**2 294 803**	2 588 983	**2 095 833**	2 389 363
Employers' service and interest cost				
1 year downward	**645 434**	637 976	**619 473**	612 753
Valuation basis[1]	**626 508**	615 578	**601 211**	591 025
1 year upward	**610 977**	592 750	**586 350**	568 872
The effect of a 1% increase and decrease in the salary inflation rate is as follows:				
Employers' accrued liability				
1% decrease	**2 416 066**	2 654 885	**2 212 019**	2 449 944
Valuation basis	**2 654 789**	2 657 436	**2 450 467**	2 452 232
1% increase	**2 421 878**	2 660 290	**2 217 251**	2 454 793
Employers' service and interest cost				
1% decrease	**625 915**	614 368	**600 670**	589 865
Valuation basis[1]	**626 508**	615 578	**601 211**	591 025
1% increase	**627 180**	616 932	**601 826**	592 324
The effect of a one year increase and decrease in the base pension increase rate is as follows:				
Employers' accrued liability				
1 year downward	**2 178 510**	2 063 529	**1 974 188**	1 858 325
Valuation basis	**2 654 789**	2 657 436	**2 450 467**	2 452 232
1 year upward	**3 020 693**	3 115 381	**2 816 371**	2 910 177
Employers' service and interest cost				
1 year downward	**597 892**	556 480	**573 339**	531 927
Valuation basis[1]	**626 508**	615 578	**601 211**	591 025
1 year upward	**718 770**	711 099	**694 217**	686 546

[1] *Forecast service and interest costs for the year ending 2024.*

21. Gold and Foreign Exchange Contingency Reserve Account

		GROUP		SARB	
	Note	**2023 R'000**	2022 R'000	**2023 R'000**	2022 R'000
SARB Act					
Opening balance		**314 283 429**	315 584 260	**314 283 429**	315 584 260
Profit on gold price adjustment account[1]		**28 462 820**	12 884 657	**28 462 820**	12 884 657
Loss on FEC adjustment account		**(39 555 605)**	(2 445 650)	**(39 555 605)**	(2 445 650)
Loss on foreign exchange adjustment account		**153 628 812**	(17 898 442)	**153 628 812**	(17 898 442)
Movement in unrealised gains on FECs		**1 841 490**	6 083 778	**1 841 490**	6 083 778
		458 660 946	314 208 603	**458 660 946**	314 208 603
Payments from the SA government		**53 695**	74 826	**53 695**	74 826
Closing balance		**458 714 641**	314 283 429	**458 714 641**	314 283 429
Balance composition					
Balance currently due to the SA government		**458 613 345**	316 023 630	**458 613 345**	316 023 630
Net unrealised gains/(losses) on FECs	8	**101 296**	(1 740 201)	**101 296**	(1 740 201)
		458 714 641	314 283 429	**458 714 641**	314 283 429

[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 R53.7 million was settled by SA government (2022: R74.8 million).

22. Share capital

	GROUP		SARB	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Issued				
2 000 000 shares (2022: 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	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
23.1 Operating income includes:				
Administration and management fees received	**–**	–	**5 808**	5 380
Bank charges	**239 870**	233 810	**239 870**	233 810
Commission on banking services	**176 598**	280 712	**176 598**	280 712
Rental income	**8 382**	9 481	**8 382**	9 481
Sales of bank notes and coin to third parties	**3 541 179**	4 389 271	**–**	–
Sundry income	**64 560**	39 848	**64 560**	39 848
Total operating income	**4 030 589**	4 953 122	**495 218**	569 231

23. Profit before taxation continued

23.2 Operating costs include:

		GROUP		SARB	
	Note(s)	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Depreciation and amortisation					
Buildings		**44 626**	34 658	**37 820**	28 008
Computer software		**46 252**	263 819	**38 490**	254 583
Plant, vehicles, furniture, and equipment		**395 352**	354 797	**259 274**	207 092
Total depreciation and amortisation	12 & 13	**486 230**	653 274	**335 584**	489 683
Impairment loss on:					
Intangible assets	13	**13 524**	–	**13 524**	–
Net loss on disposal of:					
Property, plant and equipment	12	**27 270**	109 714	**3 026**	107 146
Write-down of inventories					
Write-down of inventories	7	**18 870**	30 718	**–**	–
Auditor's remuneration – external					
Audit fees		**22 997**	22 810	**16 653**	16 344
Fees for other services		**452**	125	**70**	51
Total auditors' remuneration		**23 449**	22 935	**16 723**	16 395
Consulting fees					
Consulting fees		**304 582**	286 777	**282 915**	271 124
Employee costs					
Director's remuneration	34.6	**34 621**	33 063	**34 043**	32 502
Remuneration and recurring staff costs		**3 407 212**	2 601 589	**2 759 228**	2 070 565
Contribution to funds – Normal		**300 158**	279 979	**264 336**	244 768
Contributions to funds – Additional		**25**	2 752	**25**	2 752
Movement in provision for post-employment medical benefits	20.1	**306 617**	305 994	**283 039**	281 920
Movement in provision for post-employment group life benefits	20.2	**8 828**	8 327	**7 854**	7 393
Movement in provision for post-employment retirement benefit fund benefits	20.3	**14 400**	30 942	**14 400**	30 942
Premiums paid – Medical aid		**146 993**	129 774	**121 537**	115 339
Premiums paid – Group life		**7 843**	18 928	**4 042**	3 483
Total employee costs		**4 226 697**	3 411 348	**3 488 504**	2 789 664
Other					
Cost of new currency		**6 582**	180 235	**2 791 694**	2 637 033
Manufacturing costs		**3 695 896**	4 852 475	**–**	–
IT infrastructure		**434 058**	264 475	**395 950**	238 796
Other operating costs[1]		**1 456 476**	725 591	**630 113**	591 899
Total operating expenses		**10 693 634**	10 537 542	**7 958 033**	7 141 740

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

24. Taxation

	Note(s)	GROUP 2023 R'000	GROUP 2022 R'000	SARB 2023 R'000	SARB 2022 R'000
South African normal taxation					
Current					
Local income taxation – current period		**240 003**	300 551	**–**	–
Deferred					
Current year timing differences	14	**(43 329)**	(986 609)	**(49 948)**	(982 285)
Changes in taxation rates[1]	14	**–**	13 464	**–**	19 923
Adjustment in respect of prior years	14	**–**	(26)	**–**	(29)
Total taxation		**196 674**	(672 620)	**(49 948)**	(962 391)
Reconciliation of taxation rate					
South African normal taxation rate		**27.00%**	28.00%	**27.00%**	28.00%
Adjusted for: Disallowable expenses		**(9.98%)**	(0.98%)	**(21.02%)**	(0.70%)
Donations		**0.45%**	(0.36%)	**1.28%**	(0.26%)
Reversal of credit impairment losses		**(0.03%)**	0.03%	**(0.09%)**	0.03%
Impairment reversal on investment in associate		**(8.07%)**	–	**(22.96%)**	–
Expenses of a capital nature		**(2.33%)**	(0.65%)	**0.75%**	(0.47%)
Exempt income and special deductions		**(7.56%)**	7.33%	**(12.81%)**	6.68%
Dividend income		**(0.20%)**	1.24%	**(12.05%)**	6.53%
Interest from SARS		**(0.26%)**	0.19%	**(0.73%)**	0.14%
Special allowances[2]		**(7.10%)**	5.90%	**(0.04%)**	0.01%
Decrease in taxation rate[1]		**–**	(3.28%)	**–**	(1.88%)
Effective taxation rate		**9.46%**	31.07%	**(6.83%)**	32.10%
Taxation paid					
Opening balance – taxation receivable/(payable)		**1 429 289**	684 175	**1 442 311**	693 631
Current taxation for the year recognised in profit or loss		**(240 003)**	(300 551)	**–**	–
Interest accrued		**19 660**	14 576	**19 660**	14 576
Closing balance – taxation receivable[3]		**(720 974)**	(1 429 289)	**(753 763)**	(1 442 311)
Taxation received/(paid)[4]		**487 972**	(1 031 089)	**708 208**	(734 104)

[1] *On 23 February 2022, the Minister of Finance announced a reduction in the corporate income tax rate, from 28% to 27%, effective from years of assessment commencing on or after 31 March 2022. The change is considered to be substantively enacted, therefore the rate applied to deferred tax has been adjusted accordingly.*
[2] *Special allowances in Group mainly relate to the CPD, which is exempt from taxation.*
[3] *Consists of taxation receivable of R754 million (2022: R1.4 billion) and taxation payable of R32.8 million (2022: R13.0 million).*
[4] *Consists of taxation received of R708 million (2022: Rnil) and taxation paid of R220 million (2022: R1.0 billion).*

25. Dividends paid

	Note(s)	GROUP 2023 R'000	GROUP 2022 R'000	SARB 2023 R'000	SARB 2022 R'000
SARB shares[1]					
Final dividend of 5 cents per share for the 2023 financial year		**100**	100	**100**	100
Interim dividend of 5 cents per share for the 2023 financial year		**100**	100	**100**	100
Total dividends paid on SARB shares		**200**	200	**200**	200
Non-controlling interest[2]					
Dividends paid to non-controlling interest	34.1	**173 961**	248 400	**–**	–
Total dividends paid to non-controlling interest		**173 961**	248 400	**–**	–
Total dividends paid		**174 161**	248 600	**200**	200

[1] *The SARB shares qualify for a maximum dividend of 10 cents per share per annum in terms of the SARB Act.*
[2] *Dividends paid to the non-controlling interest relate to dividends paid by Prestige Bullion to Rand Refinery.*

26. Net cash generated from/(utilised by) operations

	Note(s)	GROUP 2023 R'000	GROUP 2022 R'000	SARB 2023 R'000	SARB 2022 R'000
Reconciliation of profit before taxation to cash generated from operating activities					
Profit/(loss) before taxation for the year		**2 078 772**	(2 164 539)	**730 795**	(2 997 982)
Adjustments for:					
Interest revenue	32	**(6 950 183)**	(3 352 624)	**(1 676 990)**	(1 942 579)
Interest expense	32	**12 360 501**	3 695 217	**7 337 091**	2 506 169
Fair value adjustments on investments	32	**(303 195)**	(166 720)	**–**	–
Depreciation, amortisation and impairment	23.2	**499 755**	653 274	**349 108**	489 682
Net loss on disposal of fixed assets	23.2	**27 270**	109 714	**3 026**	107 146
Profit from associate	34.3	**(168 499)**	(228 447)	**–**	–
Impairment (reversal) loss on investment in associate	23.2	**(621 445)**	228 447	**(621 445)**	–
Credit impairment reversal		**(37 890)**	(79 544)	**(15 812)**	(18 040)
Dividends received[1]	32	**(103 012)**	–	**(363 952)**	–
Unrealised foreign exchange gains	32	**(450)**	(1 098)	**–**	–
Post-employment benefits	20	**181 758**	203 266	**168 881**	189 219
Interest accrued on taxation	24	**(19 660)**	14 570	**(19 660)**	14 576
Net cash generated from/(utilised by) operating activities	34.4	**6 943 722**	(1 088 484)	**5 891 042**	(1 651 809)
Changes in operating assets and liabilities:					
Amounts due by Group companies	34.4	**–**	–	**(4 499)**	(3 027)
Accommodation to banks	3	**47 106 799**	(4 643 390)	**47 106 799**	(4 643 390)
Investments	4	**(35 690 744)**	1 156 330	**–**	–
Trade and other receivables	5	**(4 570 854)**	(340 114)	**(4 477 054)**	(347 630)
Gold and foreign exchange reserves	6	**(250 481 941)**	(63 899 453)	**(250 481 941)**	(63 899 453)
Inventories	7	**(438 650)**	(171 656)	**4 898**	(1 762)
FEC assets	8	**(106 624)**	(3 895)	**(106 624)**	(3 895)
Loans and advances	9	**2 012 121**	1 724 824	**2 003 511**	1 671 930
South African government bonds	10	**6 674 775**	(1 236 889)	**6 674 775**	(1 236 889)
Equity investment in BIS	11	**(911 733)**	97 446	**(911 733)**	97 446
Notes and coin in circulation	15	**467 786**	2 758 097	**467 786**	2 758 097
Deposit accounts	16	**69 179 942**	78 976 447	**53 968 697**	68 738 634
Amounts due to Group companies	34.4	**–**	–	**(39 296 682)**	26 357 078
Foreign deposits	17	**42 345 897**	(8 141 174)	**42 345 897**	(8 141 174)
Other liabilities	18	**5 130 945**	15 475	**3 921 746**	977 544
SARB debentures	19	**(3 806 503)**	(11 203 532)	**(3 806 503)**	(11 203 532)
FEC liabilities	8	**(1 734 873)**	(6 079 883)	**(1 734 873)**	(6 079 883)
GFECRA	21	**144 431 211**	(1 300 831)	**144 431 211**	(1 300 831)
Net cash generated from/(utilised by) changes in working capital		**19 607 554**	(12 292 198)	**105 411**	3 739 263
Net cash generated from/(utilised by) operations		**26 551 276**	(13 380 682)	**5 996 453**	2 087 454

[1] *This disclosure has been updated to reflect dividends received separately for the current year to provide more relevant information.*

27. Capital commitments

	GROUP 2023 R'000	GROUP 2022 R'000	SARB 2023 R'000	SARB 2022 R'000
Capital expenditure contracted for, but not yet incurred				
Buildings	**2 101 447**	353 989	**2 097 208**	351 020
Plant, vehicles, furniture and equipment	**167 341**	167 188	**138 601**	104 888
Intangible assets	**710 810**	722 560	**708 131**	721 649
Total capital expenditure contracted for, but not yet incurred	**2 979 598**	1 243 737	**2 943 940**	1 177 557
Capital expenditure approved, but not yet contracted for	**1 144 037**	1 252 706	**1 006 508**	1 180 384
Buildings				
Plant, vehicles, furniture and equipment	**394 167**	442 969	**172 953**	118 852
Intangible assets	**464 630**	196 710	**412 521**	173 308
Total capital expenditure approved, but not yet contracted for	**2 002 834**	1 892 385	**1 591 982**	1 472 544

These capital commitments will be funded from internal resources.

28. Events after the reporting period

CPD Guarantee

On 15 May 2023, the GEC approved an extension to the guarantee issued by the SARB to the CPD for a further 12 months to 11 June 2024, as a result of the continued technical insolvency of the CPD. The guarantee was reduced from R1.2 billion to R800 million due to the reduced accumulated losses. The guarantee extension was also approved by the Board on 8 June 2023.

Bounce Back Scheme drawdown

In April 2023, there was an additional drawdown of R137 million on the bounce back scheme facility. The availability period for drawdowns on the facility expired on 30 April 2023 and R262 million of the facility was not utilised.

29. Risk management in respect of financial instruments

Introduction

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

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

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

Reserves management

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

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

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 investment guidelines. 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 11 – Equity investment in BIS;
Note 6 – Gold and foreign exchange reserves; and
Note 21 – GFECRA.

Monetary policy

The task of implementing monetary policy decisions is undertaken through a range of refinancing operations conducted with the commercial banks as counterparties and which are executed at or with a spread to the repo (policy) rate. In addition to the refinancing operations, FMD also conducts a range of open market operations to influence the liquidity in the money market.

Market operations are undertaken in both the domestic and foreign exchange markets. The open market operations include the issuance of SARB debentures, reverse repos, the movement of public sector funds between the market and the SARB and the conducting of money market swaps in the foreign exchange market.

In addition to the main repo facility, the SARB offers a range of end-of-day facilities for the commercial banks to square-off the daily positions on their settlement accounts, e.g. access to their cash reserve balances held with the SARB, supplementary repos/reverse repos conducted at the repo rate and an automated standing facility whereby the end-of-day balances on the banks' settlement accounts are automatically settled at a rate of 1% 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 Monetary Policy Committee (MPC), which conducts monetary policy within a flexible inflation-targeting framework. This committee consists of seven members of the SARB: the Governor, three Deputy Governors and three senior officials of the SARB.

Daily operations

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

Statement of financial position impact

Key statement of financial position balances related to monetary policy implementation include:
Note 3 – Accommodation to banks and standing facilities;
Note 8 – FEC assets and liabilities;
Note 15 – Notes and coin in circulation;
Note 16 – Banks' reserve and current accounts;
Note 16 – SA government special deposit;
Note 17 – Foreign deposits; and
Note 19 – SARB debentures.

29.1 Market risk

Market risk monitoring is conducted at all levels (e.g. Portfolio and Tranche level) with constant tracking of the risk metrics such as duration, 'Value at Risk' and 'Tracking Error'. Portfolio holdings data is consolidated and stress testing and scenario 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%). 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

Foreign exchange operations

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

29. Risk management in respect of financial instruments continued

29.1 Market risk continued

29.1.3 Currency risk continued

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 2023																
Financial assets																
Amortised cost																
Cash and cash equivalents	42 385 420	99.9	–	–	24 471	0.1	16 149	0	–	–	–	–	–	–	42 426 040	100.0
Accommodation to banks	2 398 328	100.0	–	–	–	–	–	–	–	–	–	–	–	–	2 398 328	100.0
Investments	41 000 233	100.0	–	–	–	–	–	–	–	–	–	–	–	–	41 000 233	100.0
Other financial assets	1 110 769	93.5	–	–	70 829	6.0	6 535	0.5	–	–	–	–	–	–	1 188 133	100.0
Loans and advances	10 068 780	100.0	–	–	–	–	–	–	–	–	–	–	–	–	10 068 780	100.0
FVPL																
Investments	305 538	100.0	–	–	–	–	–	–	–	–	–	–	–	–	305 538	100.0
SA government bonds	33 828 589	100.0	–	–	–	–	–	–	–	–	–	–	–	–	33 828 589	100.0
FVOCI																
Equity investment in BIS	–	–	–	–	–	–	–	–	–	–	–	–	5 866 100	100.0	5 866 100	100.0
SARB Act																
FEC assets	–	–	–	–	182 601	100.0	–	–	–	–	–	–	–	–	182 601	100.0
Gold and foreign exchange reserves	–	–	141 894 925	13.0	638 822 440	58.4	42 618 292	3.9	29 412 360	2.7	69 490 681	6.4	171 080 357	15.6	1 093 319 055	100.0
Total financial assets	131 097 657	10.6	141 894 925	11.5	639 100 341	51.9	42 640 976	3.5	29 412 360	2.4	69 490 681	5.6	176 946 457	14.4	1 230 583 397	100.0
Unrecognised financial assets																
Guarantees	9 415 116	100.0	–	–	–	–	–	–	–	–	–	–	–	–	9 415 116	100.0
Total unrecognised financial assets	9 415 116	100.0	–	–	–	–	–	–	–	–	–	–	–	–	9 415 116	100.0
Financial liabilities																
Amortised cost																
Notes and coin in circulation	171 564 848	100.0	–	–	–	–	–	–	–	–	–	–	–	–	171 564 848	100.0
Deposit accounts	452 426 879	100.0	–	–	–	–	–	–	–	–	–	–	–	–	452 426 879	100.0
Other financial liabilities	1 866 364	73.1	–	–	650 039	25.5	36 738	1.4	–	–	–	–	–	–	2 553 141	100.0
SARB debentures	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
FVPL																
Foreign deposits	–	–	–	–	102 961 998	80.8	16 451 195	12.9	4 004 361	3.1	2 003 823	1.6	2 067 929	1.6	127 489 306	100.0
SARB Act																
FEC liabilities	–	–	–	–	81 305	100.0	–	–	–	–	–	–	–	–	81 305	100.0
GFECRA	458 714 641	100.0	–	–	–	–	–	–	–	–	–	–	–	–	458 714 641	100.0
Total financial liabilities	1 084 572 732	89.4	–	–	103 693 342	8.5	16 487 933	1.4	4 004 361	0.3	2 003 823	0.2	2 067 929	0.2	1 212 830 120	100.0
Unrecognised financial liabilities																
Guarantees	9 415 116	100.0	–	–	–	–	–	–	–	–	–	–	–	–	9 415 116	100.0
Loan commitments	90 053 864	100.0	–	–	–	–	–	–	–	–	–	–	–	–	90 053 864	100.0
Total unrecognised financial liabilities	99 468 980	100.0	–	–	–	–	–	–	–	–	–	–	–	–	99 468 980	100.0

29. Risk management in respect of financial instruments continued

29.1 Market risk continued

29.1.3 Currency risk continued

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 2022																
Financial assets																
Amortised cost																
Cash and cash equivalents	22 376 573	99.7	–	–	38 994	7.6	17 115	0.1	–	–	–	–	–	–	22 432 682	100.0
Accommodation to banks	49 505 127	100.0	–	–	–	–	–	–	–	–	–	–	–	–	49 505 127	100.0
Investments	5 135 058	100.0	–	–	–	–	–	–	–	–	–	–	–	–	5 135 058	100.0
Other financial assets	802 138	94.8	–	–	38 695	4.6	4 716	0.6	–	–	–	–	–	–	845 549	100.0
Loans and advances	12 080 901	100.0	–	–	–	–	–	–	–	–	–	–	–	–	12 080 901	100.0
FVPL																
Investments	176 775	100.0	–	–	–	–	–	–	–	–	–	–	–	–	176 775	100.0
SA government bonds	40 503 364	100.0	–	–	–	–	–	–	–	–	–	–	–	–	40 503 364	100.0
FVOCI																
Equity investment in BIS	–	–	–	–	–	–	–	–	–	–	–	–	4 954 367	100.0	4 954 367	100.0
SARB Act																
FEC assets	–	–	–	–	75 977	100.0	–	–	–	–	–	–	–	–	75 977	100.0
Gold and foreign exchange reserves	–	–	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	–	–	–	–	–	–	–	–	–	–	–	–	15 072 291	100.0
Total unrecognised financial assets	15 072 291	100.0	–	–	–	–	–	–	–	–	–	–	–	–	15 072 291	100.0
Financial liabilities																
Amortised cost																
Notes and coin in circulation	171 097 062	100.0	–	–	–	–	–	–	–	–	–	–	–	–	171 097 062	100.0
Deposit accounts	383 246 937	100.0	–	–	–	–	–	–	–	–	–	–	–	–	383 246 937	100.0
Other financial liabilities	1 612 436	76.9	–	–	381 946	18.2	103 094	4.9	84	0	–	–	–	–	2 097 560	100.0
SARB debentures	3 806 503	100.0	–	–	–	–	–	–	–	–	–	–	–	–	3 806 503	100.0
FVPL																
Foreign deposits	–	–	–	–	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	–	–	–	–	1 816 178	100.0	–	–	–	–	–	–	–	–	1 816 178	100.0
GFECRA	314 283 429	100.0	–	–	–	–	–	–	–	–	–	–	–	–	314 283 429	100.0
Total financial liabilities	874 046 367	90.8	–	–	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	–	–	–	–	–	–	–	–	–	–	–	–	15 072 291	100.0
Loan commitments	76 384 796	100.0	–	–	–	–	–	–	–	–	–	–	–	–	76 384 796	100.0
Total unrecognised financial liabilities	91 457 087	100.0	–	–	–	–	–	–	–	–	–	–	–	–	91 457 087	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 2023																
Financial assets																
Amortised cost																
Amounts due by Group companies	7 526	100.0	–	–	–	–	–	–	–	–	–	–	–	–	7 526	100.0
Accommodation to banks	2 398 328	100.0	–	–	–	–	–	–	–	–	–	–	–	–	2 398 328	100.0
Other financial assets	1 017 190	100.0	–	–	–	–	–	–	–	–	–	–	–	–	1 017 190	100.0
Loans and advances	10 068 780	100.0	–	–	–	–	–	–	–	–	–	–	–	–	10 068 780	100.0
FVPL																
SA government bonds	33 828 589	100.0	–	–	–	–	–	–	–	–	–	–	–	–	33 828 589	100.0
FVOCI																
Equity investment in BIS	–	–	–	–	–	–	–	–	–	–	–	–	5 866 100	100.0	5 866 100	100.0
SARB Act																
FEC assets	–	–	–	–	182 601	100.0	–	–	–	–	–	–	–	–	182 601	100.0
Gold and foreign exchange reserves	–	–	141 894 925	13.0	638 822 440	58.4	42 618 292	3.9	29 412 360	2.7	69 490 681	6.4	171 080 357	15.6	1 093 319 055	100.1
Total financial assets	**47 320 413**	**4.1**	**141 894 925**	**12.4**	**639 005 041**	**55.7**	**42 618 292**	**3.7**	**29 412 360**	**2.6**	**69 490 681**	**6.1**	**176 946 457**	**15.4**	**1 146 688 169**	**100.00**
Unrecognised financial assets																
Guarantees	9 415 116	100.0	–	–	–	–	–	–	–	–	–	–	–	–	9 415 116	100.0
Total unrecognised financial assets	**9 415 116**	**100.0**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**9 415 116**	**100.0**
Financial liabilities																
Amortised cost																
Notes and coin in circulation	171 564 848	100.0	–	–	–	–	–	–	–	–	–	–	–	–	171 564 848	100.0
Deposit accounts	345 616 090	100.0	–	–	–	–	–	–	–	–	–	–	–	–	345 616 090	100.0
Amounts due to Group companies	25 413 100	100.0	–	–	–	–	–	–	–	–	–	–	–	–	25 413 100	100.0
Other financial liabilities	1 294 574	100.0	–	–	–	–	–	–	–	–	–	–	–	–	1 294 574	100.0
SARB debentures	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
FVPL																
Foreign deposits	–	–	–	–	102 961 998	80.8	16 451 195	12.9	4 004 361	3.1	2 003 823	1.6	2 067 929	1.6	127 489 306	100.0
SARB Act																
FEC liabilities	–	–	–	–	81 305	100.0	–	–	–	–	–	–	–	–	81 305	100.0
GFECRA	458 714 641	100.0	–	–	–	–	–	–	–	–	–	–	–	–	458 714 641	100.0
Total financial liabilities	**1 002 603 253**	**88.7**	**–**	**–**	**103 043 303**	**9.1**	**16 451 195**	**1.5**	**4 004 361**	**0.4**	**2 003 823**	**0.2**	**2 067 929**	**0.2**	**1 130 173 864**	**100.1**
Unrecognised financial liabilities																
Guarantees	9 415 116	100.0	–	–	–	–	–	–	–	–	–	–	–	–	9 415 116	100.0
Loan commitments	399 000	100.0	–	–	–	–	–	–	–	–	–	–	–	–	399 000	100.0
Total unrecognised financial liabilities	**9 814 116**	**100.0**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**9 814 116**	**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 2022																
Financial assets																
Amortised cost																
Amounts due by Group companies	3 027	100.0	–	–	–	–	–	–	–	–	–	–	–	–	3 027	100.0
Accommodation to banks	49 505 127	100.0	–	–	–	–	–	–	–	–	–	–	–	–	49 505 127	100.0
Other financial assets	745 921	100.0	–	–	–	–	–	–	–	–	–	–	–	–	745 921	100.0
Loans and advances	12 072 291	100.0	–	–	–	–	–	–	–	–	–	–	–	–	12 072 291	100.0
FVPL																
SA government bonds	40 503 364	100.0	–	–	–	–	–	–	–	–	–	–	–	–	40 503 364	100.0
FVOCI																
Equity investment in BIS	–	–	–	–	–	–	–	–	–	–	–	–	4 954 367	100.0	4 954 367	100.0
SARB Act																
FEC assets	–	–	–	–	75 977	100.0	–	–	–	–	–	–	–	–	75 977	100.0
Gold and foreign exchange reserves	–	–	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	49.1	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	–	–	–	–	–	–	–	–	–	–	–	–	15 072 291	100.0
Total unrecognised financial assets	15 072 291	100.0	–	–	–	–	–	–	–	–	–	–	–	–	15 072 291	100.0
Financial liabilities																
Amortised cost																
Notes and coin in circulation	171 097 062	100.0	–	–	–	–	–	–	–	–	–	–	–	–	171 097 062	100.0
Deposit accounts	291 647 393	100.0	–	–	–	–	–	–	–	–	–	–	–	–	291 647 393	100.0
Amounts due to Group companies	64 709 782	100.0	–	–	–	–	–	–	–	–	–	–	–	–	64 709 782	100.0
Other financial liabilities	1 326 282	100.0	–	–	–	–	–	–	–	–	–	–	–	–	1 326 282	100.0
SARB debentures	3 806 503	100.0	–	–	–	–	–	–	–	–	–	–	–	–	3 806 503	100.0
FVPL																
Foreign deposits	–	–	–	–	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	–	–	–	–	1 816 178	100.0	–	–	–	–	–	–	–	–	1 816 178	100.0
GFECRA	314 283 429	100.0	–	–	–	–	–	–	–	–	–	–	–	–	314 283 429	100.0
Total financial liabilities	846 870 451	90.6	–	–	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	–	–	–	–	–	–	–	–	–	–	–	–	18 572 291	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, counterparty or issuer type and credit rating category in the investment guidelines. The SARB mitigates concentration risk through diversification and investing in accordance with the prescriptions of 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 the Master International Swaps and Derivatives Association agreements. In addition, the use of exchange traded derivatives, legally segregated custodial and securities lending accounts and indemnity arrangements further mitigate counterparty pre-settlement, settlement and replacement risks. Credit risk is reported on a daily, monthly and quarterly basis.

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

29.2.1 Credit risk measurement

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

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

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

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

29. Risk management in respect of financial instruments continued

29.2 Credit risk continued

The instruments relating to the foreign exchange reserves and equity investment in BIS are summarised below:

	GROUP		SARB	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
AAA	**554 267 196**	260 941 513	**554 267 196**	260 941 513
AA	**177 934 621**	85 629 381	**177 934 621**	85 629 381
A	**78 724 276**	74 135 066	**78 724 276**	74 135 066
A-1	**146 364 137**	313 721 662	**146 364 137**	313 721 662
Total foreign financial assets	**957 290 230**	734 427 622	**957 290 230**	734 427 622

29.2.2 ECL measurement

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

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

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

29.2.2.1 Significant increase in credit risk

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

Quantitative criteria:

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

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

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 2023 (2022: 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 the incurred credit losses.
- An active market for that financial asset has disappeared.

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

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

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 for an explanation of forward- looking information and its inclusion in ECL calculations.

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

There have been no significant changes in estimation techniques or assumptions used during the reporting period (2022: 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.

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

	GROUP		SARB	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Loss allowance as at 31 March	**(729 189)**	(808 733)	**(23 555)**	(41 595)
Loss allowance recognised during the year	**(520)**	(1 172)	**(520)**	(1 172)
Loss allowance reversed during the year	**38 410**	80 716	**16 332**	19 212
Loss allowance as at 31 March	**(691 299)**	(729 189)	**(7 743)**	(23 555)

	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 2023					
ECL opening balance	**–**	**(729 189)**	**–**	**–**	**(729 189)**
Loss allowance	**–**	**(520)**	**–**	**–**	**(520)**
Loss allowance reversed	**–**	**38 410**	**–**	**–**	**38 410**
ECL closing balance	**–**	**(691 299)**	**–**	**–**	**(691 299)**
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)
SARB 2023					
ECL opening balance	**–**	**(23 555)**	**–**	**–**	**(23 555)**
Loss allowance	**–**	**(520)**	**–**	**–**	**(520)**
Loss allowance reversed	**–**	**16 332**	**–**	**–**	**16 332**
ECL closing balance	**–**	**(7 743)**	**–**	**–**	**(7 743)**
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)

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 2023 (2022: 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 loss allowance recognised in the period 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.

As at 31 March 2023 the Group recognised a loss allowance reversal of R38.0 million (2022: R79.5 million); SARB loss allowance reversal of R15.0 million (2022: R18.0 million).

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 the 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 2023							
Financial assets							
Cash and cash equivalents	–	37 376 505	5 049 535	–	–	–	42 426 040
Accommodation to banks	2 398 328	–	–	–	–	–	2 398 328
Investments	–	22 127 712	12 138 264	7 039 795	–	–	41 305 771
Other financial assets	–	225 433	441 868	–	–	520 832	1 188 133
Gold and foreign exchange reserves	263 324 035	248 316 374	50 112 583	125 929 404	141 164 165	264 472 494	1 093 319 055
FEC assets	–	39 749	79 303	63 549	–	–	182 601
Loans and advances	–	–	–	–	–	10 068 780	10 068 780
SA government bonds	–	–	–	–	–	33 828 589	33 828 589
Equity investment in BIS	5 866 100	–	–	–	–	–	5 866 100
Total financial assets	**271 588 463**	**308 085 773**	**67 821 553**	**133 032 748**	**141 164 165**	**308 890 695**	**1 230 583 397**
Unrecognised financial assets							
Guarantees	9 415 116	–	–	–	–	–	9 415 116
Total unrecognised financial assets	**9 415 116**	**–**	**–**	**–**	**–**	**–**	**9 415 116**
Financial liabilities							
Notes and coin in circulation	171 564 848	–	–	–	–	–	171 564 848
Deposit accounts	309 375 640	143 051 239	–	–	–	–	452 426 879
Foreign deposits	39 260	127 450 046	–	–	–	–	127 489 306
Other financial liabilities	–	1 323 101	176 502	90 388	442 318	520 832	2 553 141
FEC liabilities	–	272	81 033	–	–	–	81 305
GFECRA	458 714 641	–	–	–	–	–	458 714 641
Total financial liabilities	**862 043 340**	**349 475 707**	**257 535**	**90 388**	**442 318**	**520 832**	**1 212 830 120**
Unrecognised financial liabilities							
Guarantees	9 415 116	–	–	–	–	–	9 415 116
Loan commitments	90 053 864	–	–	–	–	–	90 053 864
Total unrecognised financial liabilities	**99 468 980**	**–**	**–**	**–**	**–**	**–**	**99 468 980**

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 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
Loan commitments	76 384 796	–	–	–	–	–	76 384 796
Total unrecognised financial liabilities	91 457 087	–	–	–	–	–	91 457 087

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 2023							
Financial assets							
Amounts due by Group companies	7 526	–	–	–	–	–	7 526
Accommodation to banks	2 398 328	–	–	–	–	–	2 398 328
Other financial assets	–	178 361	317 997	–	–	520 832	1 017 190
Gold and foreign exchange reserves	263 324 035	248 316 374	50 112 583	125 929 404	141 164 165	264 472 494	1 093 319 055
FEC assets	–	39 749	79 303	63 549	–	–	182 601
Loans and advances	–					10 068 780	10 068 780
SA government bonds	–	–	–	–	–	33 828 589	33 828 589
Equity investment in BIS	5 866 100	–	–	–	–	–	5 866 100
Total financial assets	271 595 989	248 534 484	50 509 883	125 992 953	141 164 165	308 890 695	1 146 688 169
Unrecognised financial assets							
Guarantees	9 415 116	–	–	–	–	–	9 415 116
Total unrecognised financial assets	9 415 116	–	–	–	–	–	9 415 116
Financial liabilities							
Notes and coin in circulation	171 564 848	–	–	–	–	–	171 564 848
Deposit accounts	202 564 851	143 051 239	–	–	–	–	345 616 090
Amounts due to Group companies	25 413 100	–	–	–	–	–	25 413 100
Foreign deposits	39 260	127 450 046	–	–	–	–	127 489 306
Other financial liabilities	–	773 742	–	–	–	520 832	1 294 574
FEC liabilities	–	272	81 033	–	–	–	81 305
GFECRA	458 714 641	–	–	–	–	–	458 714 641
Total financial liabilities	780 645 651	348 926 348	81 033	–	–	520 832	1 130 173 864
Unrecognised financial liabilities							
Guarantees	9 415 116	–	–	–	–	–	9 415 116
Loan commitments	399 000	–	–	–	–	–	399 000
Total unrecognised financial liabilities	9 814 116	–	–	–	–	–	9 814 116

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

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

	Note(s)	Fair value through other comprehensive income R'000	SARB Act R'000	Fair value through profit or loss – Mandatory R'000	Fair value through profit or loss – Designated R'000	Amortised cost R'000	Total R'000	Fair value[1] R'000
GROUP 2023								
Financial assets								
Cash and cash equivalents	2	–	–	–	–	42 426 040	42 426 040	42 426 040
Accommodation to banks	3	–	–	–	–	2 398 328	2 398 328	2 398 328
Investments	4	–	–	305 538	–	41 000 233	41 305 771	41 000 233
Other financial assets	5	–	–	–	–	1 188 133	1 188 133	1 188 133
Gold and foreign exchange reserves	6	–	263 324 035	829 995 020	–	–	1 093 319 055	–
FEC assets	8	–	182 601	–	–	–	182 601	–
Loans and advances	9	–	–	–	–	10 068 780	10 068 780	10 068 780
SA government bonds	10	–	–	33 828 589	–	–	33 828 589	–
Equity investment in BIS	11	4 938 172	927 928	–	–	–	5 866 100	–
Unrecognised financial assets								
Guarantees	33	–	–	–	–	9 415 116	9 415 116	9 415 116
Financial liabilities								
Notes and coin in circulation	15	–	–	–	–	171 564 848	171 564 848	171 564 848
Deposit accounts[2]	16	–	–	–	–	452 426 879	452 426 879	452 426 879
Foreign deposits[3]	17	–	–	–	127 489 306	–	127 489 306	–
Other financial liabilities	18	–	–	–	–	2 553 141	2 553 141	2 553 141
FEC liabilities	8	–	81 305	–	–	–	81 305	–
GFECRA		–	458 714 641	–	–	–	458 714 641	–
Unrecognised financial liabilities								
Guarantees	33	–	–	–	–	9 415 116	9 415 116	9 415 116
Loan commitments	33	–	–	–	–	90 053 864	90 053 864	90 053 864

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 of foreign deposits was corrected in the current year, from 'mandatory FVPL' to 'designated FVPL', in order to appropriately reflect the operating model for these instruments. Foreign deposits are designated at FVPL in order to prevent an accounting mismatch arising from fair value movements in foreign assets. The change in classification has no financial implication.*

30. Classification of financial assets and liabilities continued

	Note(s)	Fair value through other comprehensive income R'000	SARB Act R'000	Fair value through profit or loss – Mandatory R'000	Fair value through profit or loss – Designated 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	15 072 291	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[3]	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	15 072 291	15 072 291
Loan commitments	33	–	–	–	–	76 384 796	76 384 796	76 384 796

[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 of foreign deposits was corrected in the current year, from 'mandatory FVPL' to 'designated FVPL', in order to appropriately reflect the operating model for these instruments. Foreign deposits are designated at FVPL in order to prevent an accounting mismatch arising from fair value movements in foreign assets. The change in classification has no financial implication.*

30. Classification of financial assets and liabilities continued

	Note(s)	Fair value through other comprehensive income R'000	SARB Act R'000	Fair value through profit or loss – Mandatory R'000	Fair value through profit or loss – Designated R'000	Amortised cost R'000	Total R'000	Fair value[1] R'000
SARB 2023								
Financial assets								
Amount due by Group companies	34	–	–	–	–	7 526	7 526	7 526
Accommodation to banks	3	–	–	–	–	2 398 328	2 398 328	2 398 328
Other financial assets	5	–	–	–	–	1 017 190	1 017 190	1 017 190
Gold and foreign exchange reserves	6	–	263 324 035	829 995 020	–	–	1 093 319 055	–
FEC assets	8	–	182 601	–	–	–	182 601	–
Loans and advances	9	–	–	–	–	10 068 780	10 068 780	10 068 780
SA government bonds	10	–	–	33 828 589	–	–	33 828 589	–
Equity investment in BIS	11	4 938 172	927 928	–	–	–	5 866 100	–
Unrecognised financial assets								
Guarantees	33	–	–	–	–	9 415 116	9 415 116	9 415 116
Financial liabilities								
Notes and coin in circulation	15	–	–	–	–	171 564 848	171 564 848	171 564 848
Deposit accounts[2]	16	–	–	–	–	345 616 090	345 616 090	345 616 090
Amounts due to Group companies	34	–	–	–	–	25 413 100	25 413 100	25 413 100
Foreign deposits[3]	17	–	–	–	127 489 306	–	127 489 306	–
Other financial liabilities	18	–	–	–	–	1 294 574	1 294 574	1 294 574
FEC liabilities	8	–	81 305	–	–	–	81 305	–
GFECRA		–	458 714 641	–	–	–	458 714 641	–
Unrecognised financial liabilities								
Guarantees	33	–	–	–	–	9 415 116	9 415 116	9 415 116
Loan commitments	33	–	–	–	–	399 000	399 000	399 000

1 *Fair values have been disclosed only for instruments carried at amortised cost. Carrying value has been used where it closely approximates fair value.*
2 *Included in deposit accounts are amounts that do not bear interest. These deposit accounts do not have fixed maturity dates.*
3 *The classification of foreign deposits was corrected in the current year, from 'mandatory FVPL' to 'designated FVPL', in order to appropriately reflect the operating model for these instruments. Foreign deposits are designated at FVPL in order to prevent an accounting mismatch arising from fair value movements in foreign assets. The change in classification has no financial implication.*

30. Classification of financial assets and liabilities continued

	Note(s)	Fair value through other comprehensive income R'000	SARB Act R'000	Fair value through profit or loss – Mandatory R'000	Fair value through profit or loss – Designated R'000	Amortised cost R'000	Total R'000	Fair value[1] R'000
SARB 2022								
Financial assets								
Amounts due by Group companies	34	–	–	–	–	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	745 921	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	15 072 291	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 to Group companies	34	–	–	–	–	64 709 782	64 709 782	64 709 782
Foreign deposits[3]	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		–	314 283 429	–	–	–	314 283 429	–
Unrecognised financial liabilities								
Guarantees	33	–	–	–	–	18 572 291	18 572 291	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.*
3 *The classification of foreign deposits was corrected in the current year, from 'mandatory FVPL' to 'designated FVPL', in order to appropriately reflect the operating model for these instruments. Foreign deposits are designated at FVPL in order to prevent an accounting mismatch arising from fair value movements in foreign assets. The change in classification has no financial implication.*

31. Fair value hierarchy disclosures

The tables below analyses 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 (2022: none)

31.1 Valuation techniques used to derive Level 1 fair values

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

31.2 Valuation techniques used to derive Level 2 fair values

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

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

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

31.3 Valuation techniques used to derive Level 3 fair values

The equity investment in the BIS is classified as Level 3. It is valued at the net asset value adjusted by 30%. This adjustment is not subject to sensitivity. The adjusted net asset value of the shares is based on SDRs. No active market exists for these shares. Refer to note 11 for more detail.

The revaluation of valuable art is classified as Level 3. Revaluations will be performed every three years by independent, reliable valuators. In the absence of an official fair value assessment by an independent valuator the insured value will be used as an indicator of fair value. These fair value adjustments are not subject to sensitivity. Refer to note 12 for more detail.

31. Fair value hierarchy disclosures continued

Reconciliation of assets and liabilities measured at level 3

	Opening balance	Gains (losses) recognised in OCI	Purchases	Sales	Transfers to GFECRA	Closing balance
GROUP 2023						
Assets						
Property, plant and equipment						
Valuable art	**191 556**	**4 696**	**2 518**	**(1 086)**	**–**	**197 684**
Financial assets at FVOCI						
Equity investment in BIS	**4 954 367**	**(16 195)**	**–**	**–**	**927 928**	**5 866 100**
Total	**5 145 923**	**(11 499)**	**2 518**	**(1 086)**	**927 928**	**6 063 784**
GROUP 2022						
Assets						
Property, plant and equipment						
Valuable art	144 417	44 825	2 320	(6)	–	191 556
Financial assets at FVOCI						
Equity investment in BIS	5 051 813	105 170	–	–	(202 616)	4 954 367
Total	5 196 230	149 995	2 320	(6)	(202 616)	5 145 923

	Opening balance	Gains (losses) recognised in OCI	Purchases	Sales	Transfers to GFECRA	Closing balance
SARB 2023						
Assets						
Property, plant and equipment						
Valuable art	**191 556**	**4 696**	**2 518**	**(1 086)**	**–**	**197 684**
Financial assets at FVOCI						
Equity investment in BIS	**4 954 367**	**(16 195)**	**–**	**–**	**927 928**	**5 866 100**
Total	**5 145 923**	**(11 499)**	**2 518**	**(1 086)**	**927 928**	**6 063 784**
SARB 2022						
Assets						
Property, plant and equipment						
Valuable art	144 417	44 825	2 320	(6)	–	191 556
Financial assets at FVOCI						
Equity investment in BIS	5 051 813	105 170	–	–	(202 616)	4 954 367
Total	5 196 230	149 995	2 320	(6)	(202 616)	5 145 923

31. Fair value hierarchy disclosures continued

	Note(s)	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
GROUP 2023					
Items measured at fair value					
Non-financial assets					
Property, plant and equipment	12	–	–	197 684	197 684
Investment in associate	34.3	–	4 256 944	–	4 256 944
Financial assets					
Investments	4	–	305 538	–	305 538
Gold and foreign exchange reserves	6	601 297 204	492 021 851	–	1 093 319 055
Gold coin and bullion		141 894 925	–	–	141 894 925
Money market instruments and deposits		–	197 567 081	–	197 567 081
Securities		459 444 915	173 065 528	–	632 510 443
Derivatives		(42 635)	(39 869)	–	(82 504)
IMF SDR assets		–	121 429 110	–	121 429 110
FEC assets	8	–	182 601	–	182 601
SA government bonds	10	33 828 589	–	–	33 828 589
Equity investment in BIS	11	–	–	5 866 100	5 866 100
Financial liabilities					
FEC liabilities	8	–	81 305	–	81 305
Foreign deposits	17	–	127 489 306	–	127 489 306
Items measured at amortised cost					
Financial assets					
Cash and cash equivalents	2	–	42 426 040	–	42 426 040
Accommodation to banks	3	–	2 398 328	–	2 398 328
Investments	4	–	41 000 233	–	41 000 233
Other financial assets	5	–	1 188 133	–	1 188 133
Loans and advances	9	–	10 068 780	–	10 068 780
Financial liabilities					
Notes and coin in circulation	15	–	171 564 848	–	171 564 848
Deposit accounts	16	–	452 426 879	–	452 426 879
Other financial liabilities	18	–	2 553 141	–	2 553 141
GFECRA	21	458 714 641	–	–	458 714 641

31. Fair value hierarchy disclosures continued

	Note(s)	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
Investment in associate	34.3	–	3 467 000	–	3 467 000
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

	Note(s)	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
SARB 2023					
Items measured at fair value					
Non-financial assets					
Property, plant and equipment	12	**–**	**–**	**197 684**	**197 684**
Investment in associate	34.3	**–**	**4 088 445**	**–**	**4 088 445**
Financial assets					
Gold and foreign exchange reserves	6	**601 297 204**	**492 021 851**	**–**	**1 093 319 055**
Gold coin and bullion		**141 894 925**	**–**	–	**141 894 925**
Money market instruments and deposits		**–**	**197 567 081**	**–**	**197 567 081**
Securities		**459 444 915**	**173 065 528**	**–**	**632 510 443**
Derivatives		**(42 636)**	**(39 868)**	**–**	**(82 504)**
IMF SDR assets		**–**	**121 429 110**	**–**	**121 429 110**
FEC assets	8	**–**	**182 601**	**–**	**182 601**
SA government bonds	10	**33 828 589**	**–**	**–**	**33 828 589**
Equity investment in BIS	11	**–**	**–**	**5 866 100**	**5 866 100**
Financial liabilities					
FEC liabilities	8	**–**	**81 305**	**–**	**81 305**
Foreign deposits	17	**–**	**127 489 306**	**–**	**127 489 306**
Items measured at amortised cost					
Financial assets					
Amounts due from Group companies	34.4	**–**	**7 526**	**–**	**7 526**
Accommodation to banks	3	**–**	**2 398 328**	**–**	**2 398 328**
Other financial assets	5	**–**	**1 017 190**	**–**	**1 017 190**
Loans and advances	9	**–**	**10 068 780**	–	**10 068 780**
Financial liabilities					
Notes and coin in circulation	15	**–**	**171 564 848**	**–**	**171 564 848**
Deposit accounts	16	**–**	**345 616 090**	**–**	**345 616 090**
Amounts due to Group companies	34.4	**–**	**25 413 100**	**–**	**25 413 100**
Other financial liabilities	18	**–**	**1 294 574**	**–**	**1 294 574**
GFECRA	21	**458 714 641**	**–**	**–**	**458 714 641**

31. Fair value hierarchy disclosures continued

	Note(s)	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
Investment in associate	34.3	–	3 467 000	–	3 467 000
Financial assets					
Gold and foreign exchange	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

32. Income and expenses according to classification of financial instruments

	Total R'000	FVPL (Mandatory) R'000	FVPL (Designated) R'000	Amortised cost R'000	FVOCI R'000	Other R'000
GROUP 2023						
Interest revenue	**15 998 994**	**9 048 811**	**–**	**6 950 183**	**–**	**–**
Interest expense[1]	**(12 360 501)**	**–**	**(3 330 528)**	**(9 029 973)**	**–**	**–**
Fair value gains	**4 172 478**	**4 172 478**	**–**	**–**	**–**	**–**
Dividend income related to investments held at year-end	**103 012**	**–**	**–**	**–**	**53 012**	**50 000**
GROUP 2022						
Interest revenue	7 234 863	3 882 239	–	3 352 624	–	–
Interest expense[1]	(3 695 217)	–	(882 326)	(2 812 891)	–	–
Fair value losses	(293 124)	(293 124)	–	–	–	–
Dividend income related to investments held at year-end	93 815	–	–	–	93 815	–
SARB 2023						
Interest revenue	**10 660 209**	**8 983 219**	**–**	**1 676 990**	**–**	**–**
Interest expense[1]	**(7 337 091)**	**–**	**(3 330 528)**	**(4 006 563)**	**–**	**–**
Fair value gains	**3 869 283**	**3 869 283**	**–**	**–**	**–**	**–**
Dividend income related to investments held at year-end	**363 952**	**–**	**–**	**–**	**53 012**	**310 940**
SARB 2022						
Interest revenue	5 756 085	3 813 506	–	1 942 579	–	–
Interest expense[1]	(2 506 169)	–	(882 326)	(1 623 843)	–	–
Fair value losses	(459 844)	(459 844)	–	–	–	–
Dividend income related to investments held at year-end[2]	766 415	–	–	–	93 815	672 600

[1] *The classification of interest on foreign deposits was corrected in the current year, from 'mandatory FVPL' to 'designated FVPL', in order to appropriately reflect the operating model for these instruments. Foreign deposits are designated at FVPL in order to prevent an accounting mismatch arising from fair value movements in foreign assets. The change in classification has no financial implication.*

[2] *The classification of dividend income relating to investments in subsidiaries was corrected in the current year from 'amortised cost' to 'other' as these investments are not measured according to IFRS 9: Financial Instruments. 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 guarantee

In prior year, the SARB issued a R3.0 billion guarantee to ABL, undertaking to settle unrecoverable loans that Residual Debt Services Limited (under curatorship) (RDS) could not settle in terms of an indemnity agreement. In turn, a guarantee of R3.0 billion was issued by the SA government to the SARB. As at 31 March 2022 the guarantee had not been called upon. The guarantee was subsequently cancelled in November 2022.

33.2 Loan guarantee scheme

In May 2020, the SARB entered into a LGS with various participating banks to provide funding to assist businesses recover from the impact of COVID-19. The SARB provided a guarantee to the commercial banks in respect of the COVID-19 LGS to the extent of the current exposure of R9.3 billion (2022: R12.1 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 issued a guarantee of R100.0 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. The government reduced this guarantee from R100.0 billion to R12.0 billion in April 2022.

33.3 Bounce back scheme

In April 2022, the Bounce Back Scheme was established to assist eligible small businesses to recover from the impact of COVID-19, the recent floods and riots in certain parts of the country. In terms of the scheme, the SARB advanced loans to commercial banks who advanced Bounce Back loans to eligible businesses. The SARB has approved facilities of R1.2bn, of which R0.4 billion remained undrawn at 31 March 2023. Any undrawn amounts under the facility will be forfeited at end of the respective availability periods. The SARB also issued a guarantee to the commercial banks in respect of losses incurred under the scheme. The SARB guarantee is limited to 20.5% of the total capital amount advanced to the commercial banks. In turn, in April 2022, the SA government issued a guarantee of up to R8 billion in favour of the SARB, to compensate for losses which may be incurred by the SARB in respect of the Bounce Back Scheme.

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 the CPD for the impact of significant expected credit losses recognised, following the downgrade of the sovereign, as well as losses related to defaults by a certain counterparty and associated impairments recognised for the financial year. Due to the technical insolvency of the CPD, the guarantee has been renewed annually, with the guarantee amount being adjusted in line with the accumulated losses of the CPD. In May 2023, the guarantee was extended for a further 12 months until 11 June 2024 and the guarantee amount was reduced from R1.2 billion in 2022 to R800 million due to the reduced accumulated losses.

33.5 ABHL loan facility

During 2021, a shareholder support transaction was concluded in terms of which the SARB committed to provide a collateralised loan to ABHL 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 would subscribe to DMTNs in ABHL in accordance with the respective pro rata shareholding in ABHL. The SARB committed to avail R1.0 billion per year to ABHL and advance the funds to ABHL at the same time as the other shareholders subscribe to DMTNs. The loan was secured by a cession in security of a portion of ABHL's customer loan portfolio, with a collateral cover ratio of 111%. The facility was undrawn at 31 March 2022 and was subsequently cancelled in September 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) is in operation. 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% 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 begin when the FSLAB is in operation and the secondary legislation for the CODI has been promulgated, outlining the insurance provisions and operations of the CODI. It is expected that the secondary legislation will be effective on 1 April 2024.

34. Related party information

34.1 Investment in subsidiaries

	Authorised and issued share capital		GROUP		SARB	
	Number of shares '000	% held	**2023 R'000**	2022 R'000	**2023 R'000**	2022 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 (2022: R0.7 billion) bears no interest and has no fixed terms of repayment. No repayments were made during the year (2022: 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 2023	Group 2022	SARB 2023	SARB 2022
CPD	**536 757**	454 911	**–**	–
SABN	**160 622**	193 372	**–**	–
South African Mint	**381 325**	360 420	**–**	–
Total contribution to Group profit	**1 078 704**	1 008 703	**–**	–

34.1.1 Investment in Prestige Bullion

Prestige Bullion is a subsidiary of the South African Mint. The South African Mint holds a 80% (2022: 60%) interest in Prestige Bullion. Prestige Bullion distributes, and sells bullion Krugerrand coins to local and international markets. The South African Mint is responsible for the manufacturing while the marketing and distribution of the coins is done by Rand Refinery 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	20%
Percentage voting rights held by non-controlling interest	20%

Rand Refinery holds the 20% 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	
	2023 R'000	2022 R'000
Statement of financial position		
Current assets	**825 387**	618 634
Total assets	**825 387**	618 634
Total equity	**157 862**	209 127
Current liabilities	**667 525**	409 507
Total liabilities	**667 525**	409 507
Total equity and liabilities	**825 387**	618 634
Statement of comprehensive income		
Revenue	**3 235 703**	4 320 308
Gross profit	**551 329**	723 903
Operating expense	**(33 050)**	(27 450)
Profit before tax	**526 110**	693 987
Total comprehensive income	**383 636**	499 616

34.1.2 Transactions with non-controlling interests

Rand Refinery

Rand Refinery has a 20% interest, and therefore holds a non-controlling interest in Prestige Bullion.

	GROUP	
	2023 R'000	2022 R'000
Profit attributable to non-controlling interest	**115 091**	199 847
Accumulated non-controlling interest at year-end	**24 565**	83 435
Dividends paid to non-controlling interest	**173 960**	248 400

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 R566.0 million (2022: R157.7 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	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Cost	500 000	50	**5 000 000**	5 000 000	**5 000 000**	5 000 000
Accumulated profit attributable to Group			**1 212 303**	1 043 804	**–**	–
Accumulated impairment losses			**(1 955 359)**	(2 576 804)	**(911 555)**	(1 533 000)
Carrying value of investment in associate			**4 256 944**	3 467 000	**4 088 445**	3 467 000

34.3.1 Impairment on investment in associate:

An impairment test for the investment in associate is only required when there is an indicator of impairment. However, due to the purpose of this investment being linked to the mandate of the SARB, an impairment test is performed periodically to closely monitor the investment.

The recognition of the impairment losses in prior years was mainly as a result of the large scale economic impact of the COVID-19 pandemic on the expected cashflows of ABHL. The performance of ABHL has significantly improved and demonstrated positive returns post the pandemic. In addition, ABHL has recently acquired Grindrod Bank and Ubank as part of their growth and turnaround strategy. These events have positively impacted the future estimated cashflows of ABHL. As a result, the estimated recoverable amount of the investment increased in the current year and an impairment reversal of R621 million was recognised in profit or loss.

The recoverable amount of R4.1 billion (2022: R3.5 billion) was calculated by means of the 'fair value less costs to sell' method, using the discounted cash flow technique.

Management made the following key assumptions in its determination of fair value less costs to sell:

- ABHL is a going concern and would be able to continue operating for the foreseeable future.
- Future cash flows were based on financial budgets approved by ABHL management covering a five-year period.
- The growth rate for cash flows into perpetuity was calculated with reference to the SARB published inflation target range of 3%-6%.
- A discount rate of 18.34% (2022: 15.74%) was used to calculate the present value of future cash flows. The discount rate was determined using the Capital Asset Pricing Model, based on the below key inputs in various scenarios at the time of the valuation:
  - South African risk free rate of 11.12% based on the daily average yield on government bonds with an outstanding maturity of 10 years and longer.
  - Beta of 0.83 and equity market risk premium of 7.37% based on quoted indicators of similar listed entities.
  - Alpha risk adjustment of 1% to adjust for the inherent uncertainty in long-term cash flow forecasts.

34. Related party information continued

34.3 Investment in associate

34.3.2 Sensitivity analysis

	GROUP		SARB	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
The effect of a 1% increase and decrease in the discount rate is as follows:				
ABHL carrying value				
1% decrease	**4 328 988**	3 544 908	**4 160 489**	3 544 908
Valuation basis	**4 256 944**	3 467 000	**4 088 445**	3 467 000
1% increase	**4 186 952**	3 391 350	**4 018 453**	3 391 350
Impairment reversal/(loss)				
1% decrease	**693 489**	(150 539)	**693 489**	77 908
Valuation basis	**621 445**	(228 447)	**621 445**	–
1% increase	**551 453**	(304 097)	**551 453**	(75 650)
The effect of a 10% increase and decrease in the cash flow forecast is as follows:				
ABHL carrying value				
10% decrease	**3 848 099**	3 284 122	**3 679 600**	3 284 122
Valuation basis	**4 256 944**	3 467 000	**4 088 445**	3 467 000
10% increase	**4 665 788**	3 649 878	**4 497 289**	3 649 878
Impairment reversal/(loss)				
10% decrease	**212 600**	(411 325)	**212 600**	(182 878)
Valuation basis	**621 445**	(228 447)	**621 445**	–
10% increase	**1 030 289**	(45 569)	**1 030 289**	182 878

34.4 Amounts due by/to related parties

	GROUP		SARB	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Amounts due by related parties[1]				
African Bank Limited (equity accounted, not consolidated)	**–**	150 000	**–**	150 000
SABN	**–**	–	**4 249**	3 027
SA government	**–**	8 610	**–**	–
South African Mint	**–**	–	**3 276**	–
Amounts due to related parties[1]				
CPD	**–**	–	**25 253 910**	64 709 782
SABN	**–**	–	**9 454**	–
SA government	**669 338 863**	536 235 300	**580 695 320**	459 136 259
GEFCRA	**458 613 345**	316 023 630	**458 613 345**	316 023 630
Deposits				
Non-interest-bearing	**122 154 560**	101 665 025	**122 081 975**	101 592 440
Interest-bearing	**88 570 958**	118 183 860	**–**	41 157 404
Other liabilities	**–**	362 785	**–**	362 785
SARB Retirement Fund	**23 328**	17 307	**–**	–
South African Mint	**–**	–	**149 736**	–

[1] *The prior year disclosure has been corrected to reflect the elimination of the Group intercompany balances.*

34. Related party information continued

34.5 Transactions between the SARB and its related parties

	GROUP		SARB	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Dividends received[1]				
African Bank Limited (equity accounted, not consolidated)	**50 000**	–	**50 000**	–
South African Mint	**–**	–	**260 940**	672 600
	50 000	–	**310 940**	672 600
Interest revenue[1]				
African Bank Limited (equity accounted, not consolidated)	**18 194**	770	**18 194**	770
CPD	**–**	–	**4 119**	12 684
SA government	**7 258**	31 984	**–**	–
	25 452	32 754	**22 313**	13 454
Interest paid[1]				
African Bank Limited (equity accounted, not consolidated)	**897**	218	**897**	218
Corporation for Public Deposits	**–**	–	**2 490 366**	2 521 196
SA government	**7 441 883**	3 671 557	**–**	–
SARB Retirement Fund	**2 562**	1 425	**–**	–
	7 445 342	3 673 200	**2 491 263**	2 521 414
Rent paid[1]				
SABN	**–**	–	**1 393**	1 315
Administration and management fees received[1]				
CPD	**–**	–	**3 760**	3 550
SABN	**–**	–	**1 149**	1 098
South African Mint	**–**	–	**766**	732
SARB Retirement Fund	**5 665**	4 755	**5 665**	4 755
	5 665	4 755	**11 340**	10 135
Administration and management fees paid[1]				
SABN	**–**	–	**31 463**	26 006
South African Mint	**–**	–	**3 602**	3 457
	–	–	**35 065**	29 463
Other income[1]				
African Bank Limited – SAMOS fees	**756**	726	**756**	726
	756	726	**756**	726
Cost of new currency[1]				
SABN	**–**	–	**1 796 345**	1 586 012
South African Mint	**–**	–	**962 766**	890 384
	–	–	**2 759 111**	2 476 396
Pension fund contributions				
SARB Retirement Fund	**294 757**	277 209	**264 336**	247 519

[1] *The prior year disclosure has been corrected to reflect the elimination of the Group intercompany balances.*

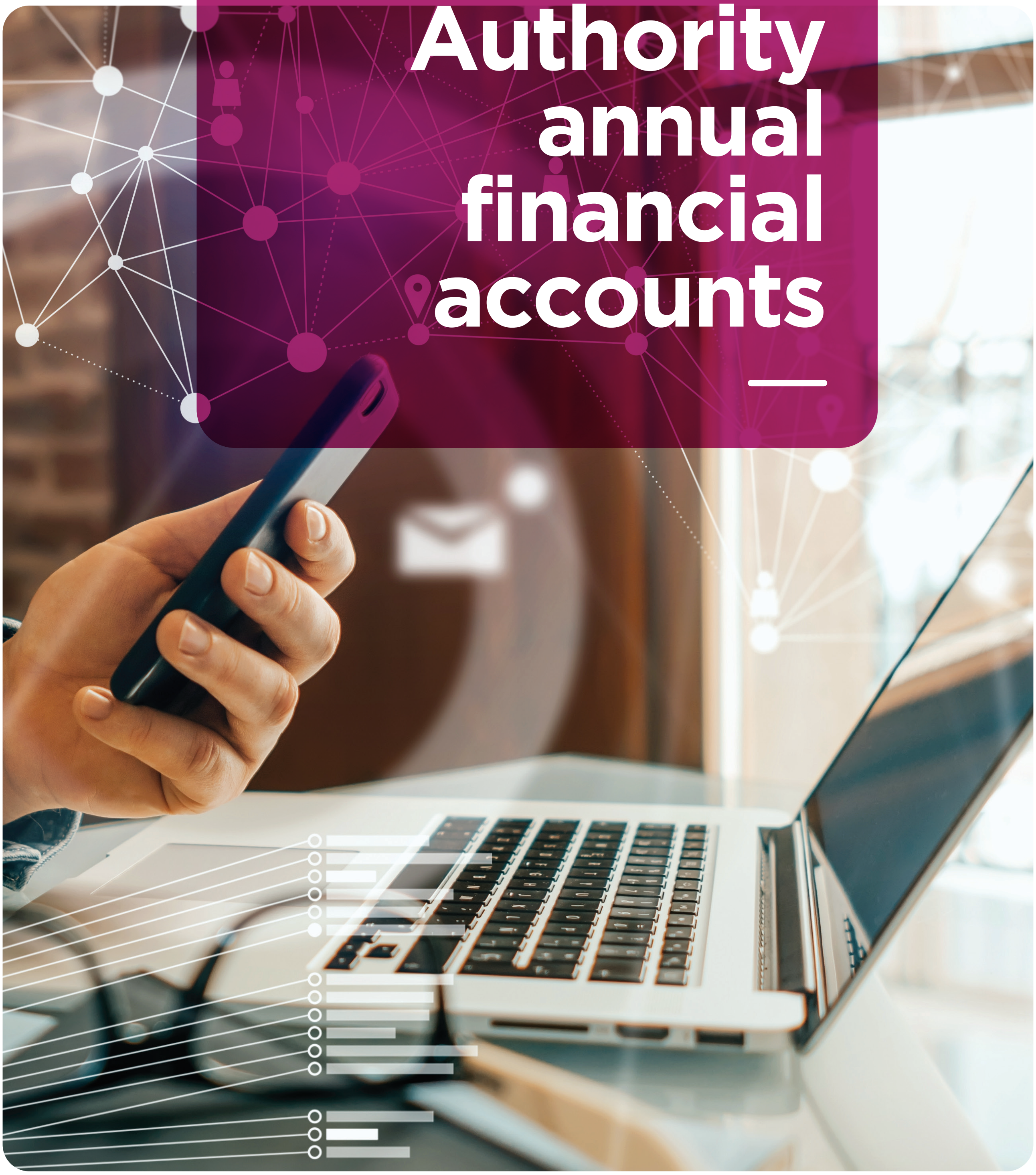
All other significant balances are shown in the statement of financial position under the appropriate headings.

34. Related party information continued

34.6 Directors' remuneration

	GROUP		SARB	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Executive directors: Remuneration for services				
Governor E L Kganyago				
Remuneration and recurring fringe benefits	**8 708**	8 309	**8 708**	8 309
Other fringe benefits	**115**	140	**115**	140
	8 823	8 449	**8 823**	8 449
Deputy Governor K Naidoo				
Remuneration and recurring fringe benefits	**6 215**	5 935	**6 215**	5 935
Other fringe benefits	**2**	9	**2**	9
	6 217	5 944	**6 217**	5 944
Deputy Governor N Tshazibana				
Remuneration and recurring fringe benefits	**6 215**	5 935	**6 215**	5 935
Other fringe benefits	**33**	28	**33**	28
	6 248	5 963	**6 248**	5 963
Deputy Governor R I Cassim				
Remuneration and recurring fringe benefits	**6 207**	5 927	**6 207**	5 927
Other fringe benefits	**41**	93	**41**	93
	6 248	6 020	**6 248**	6 020
Total remuneration of executive directors	**27 536**	26 376	**27 536**	26 376
Non-executive directors: Remuneration for services				
C B Buitendag (previously du Toit)	**513**	489	**513**	489
D J M S Msomi	**617**	576	**617**	576
F Cachalia	**–**	208	**–**	208
K Badimo	**483**	–	**483**	–
L H Molebatsi	**629**	608	**629**	608
N Vink	**492**	473	**492**	473
N B Mbazima	**598**	578	**598**	578
M M T Ramano	**573**	568	**573**	568
S Gaibie	**476**	473	**476**	473
T Nombembe	**1 298**	1 249	**720**	688
Y G Muthien	**602**	576	**602**	576
Z Hoosen	**720**	651	**720**	651
Total remuneration of non-executive directors	**7 001**	6 449	**6 423**	5 888
Retirement fund Chair				
T Khangala	**84**	238	**84**	238
Total remuneration of retirement fund Chair	**84**	238	**84**	238
Total remuneration of directors	**34 621**	33 063	**34 043**	32 502

Prudential Authority annual financial accounts



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 104 to 106. The PA's financial accounts comprise the statement of financial position at 31 March 2023, 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 significant accounting policies and 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.

PricewaterhouseCoopers Inc., 4 Lisbon Lane,
Waterfall City, Jukskei View, 2090
Private Bag X36, Sunninghill, 2157, South Africa
T: +27 (0) 11 797 4000, F: +27 (0) 11 209 5800,
www.pwc.co.za

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.

SizweNtsalubaGobodo Grant Thornton Inc., 20
Morris Street East, Woodmead, 2191
P.O. Box 2939, Saxonwold, 2132, T: 011 231 0600
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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

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

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 accounts, 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 intend to liquidate the SARB or to cease operations, or have 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 auditors' 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 auditors' 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
12 June 2023

SizweNtsalubaGobodo Grant Thornton Inc.

SizweNtsalubaGobodo Grant Thornton Inc.
Director: Pravesh Hiralall
Registered Auditor
Johannesburg, South Africa
12 June 2023

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. Refer to the SARB Annual Report on the Prudential Authority which can be found at https://www.resbank.co.za/en/home/publications/reports/annual-reports for more detail.

Basis of preparation

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

Statement of financial position at 31 March 2023

		Prudential Authority	
	Note	**2023 R'000**	2022 R'000
Assets			
Other assets		**16 482**	23 963
Liabilities			
Income received in advance		**15 051**	–
Other liabilities		**1 431**	10 221
Unclaimed balances		**–**	13 742
Total liabilities		**16 482**	23 963

Statement of profit or loss and other comprehensive income for the year ended 31 March 2023

	Note	2023 R'000	2022 R'000
Operating income			
Levies	2.1	**–**	–
Fees	2.2	**8 721**	13 377
Penalties	2.3	**–**	–
Other operating income		**13 914**	188
Expenditure			
Personnel costs	2.4	**(351 752)**	(306 198)
Operational costs	2.4	**(124 832)**	(90 067)
Total expenditure	2.4	**(476 584)**	(396 265)
Amount funded by SARB	2.5	**453 949**	382 700
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 or upon expiry of the right to claim.

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 the regulated financial institutions, as envisaged in the FSR Act. Levies will serve as the basis to recover the direct operating cost of running the PA and not in return for any direct service or goods that will be supplied.

2.2. 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 R4.1 million (2022: R 12.8 million).

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

	Prudential Authority	
	2023 R'000	2022 R'000
Operating costs include:		
Professional fees	**100 322**	83 602
Donations	**–**	–
Membership fees	**1 859**	1 739
Official functions	**2 627**	695
Training (foreign and local)	**1 484**	1 090
Travel expenses (foreign and local)	**13 124**	332
Other operating costs	**5 416**	2 609
	124 832	90 067

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

12M: 12-month

ABHL: African Bank Holdings Limited

ABL: African Bank Limited

AGM: annual ordinary general meeting

Annual Report: South African Reserve Bank annual report

BIS: Bank for International Settlements

Board: Board of Directors

BREC: Board Risk and Ethics Committee

CA: Combined Assurance

CFO: Chief Financial Officer

CIA: Chief Internal Auditor

CLF: Committed liquidity facility

CPD: Corporation for Public Deposits

CPD Act: Corporation for Public Deposits Act 46 of 1984

EAD: Exposure at Default

ECL: Expected Credit Loss

FDR: Foreign Denominated Reserve

FEC: Forward Exchange Contracts

FMD: Financial Markets Department

FSR Act: Financial Sector Regulation Act 9 of 2017

FVOCI: Fair value through other comprehensive income

FVPL: Fair value through profit or loss

GEC: Governors' Executive Committee

GFECRA: Gold and Foreign Exchange Contingency Reserve Account

Group: South African Reserve Bank including its subsidiaries and associate

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

IAD: Internal Audit Department

IAS: International Accounting Standard

IAS 19: IAS 19 Employee Benefits

IAS 39: IAS 39 Financial Instruments: Recognition and Measurement

FRIC: International Financial Reporting Interpretations Committee

IFRS: International Financial Reporting Standards

IFRS 9: IFRS 9 Financial Instruments

IFRS 15: IFRS 15 Revenue

IFRS 16: IFRS 16 Leases

IGCC: Inter-Governmental Cash Co-ordination

IMF: International Monetary Fund

Inc.: Incorporated

InsureCo: African Insurance Group Limited

IP: Investment Policy

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

I&T: information and technology

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

LGD: Loss Given Default

MPC: Monetary Policy Committee

OCI: other comprehensive income

PA: Prudential Authority

PD: Probability of Default

PEB remeasurement reserve: Post-employment benefit remeasurement reserve

PPE revaluation reserve: Property, plant and equipment revaluation reserve

Prestige Bullion: Prestige Bullion (RF) Proprietary Limited

Rand Refinery: Rand Refinery Proprietary Limited

Repo: Sale and repurchase agreements

Repo rate: repurchase rate

Reserves: Gold and foreign exchange reserves

Resmanco: Reserves Management Committee

RF: Ring Fenced

RMC: Risk Management Committee

SA government: South African government

SAA: Strategic Asset Allocation

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

SARB: South African Reserve Bank

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

SDR: Special Drawing Rights

SICR: Significant increase in credit risk

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

SPPI: solely payments of principal and interest

XDR: Special Drawing Rights Currency

Contact details

Physical address

HEAD OFFICE
370 Helen Joseph Street
Pretoria 0002
Telephone: 012 313 3911/
0861 12 7272

Postal address

P O Box 427
Pretoria 0001

Cash centres

CAPE TOWN
25 Burg Street
Cape Town 8001
Telephone: 021 481 6700
P O Box 2533 Cape Town 8000

DURBAN
8 Dr A B Xuma Street
Durban 4001
Telephone: 031 310 9300
P O Box 980 Durban 4000

JOHANNESBURG
57 Ntemi Piliso Street
Johannesburg 2001
Telephone: 011 240 0700
P O Box 1096 Johannesburg 2000

South African Reserve Bank

www.resbank.co.za