Annual Report and Financial Statements

2004

South African Reserve Bank

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Mr T T Mboweni
Governor

Governor's foreword

The South African Reserve Bank achieved success on many fronts during the past year.

By far the most important achievement was the downward movement in the rate of inflation to within the target range specified by government of between 3 and 6 per cent in September 2003. The twelve-month rate of increase in the consumer price index for metropolitan and other urban areas excluding mortgage interest costs (the CPIX) then remained in the target range during the ensuing months and amounted to 4,4 per cent in April 2004.

In bringing CPIX inflation down to these lower levels, monetary policy was assisted by a number of other factors. Particularly important in this regard was the discipline in government finances that helped to reduce inflation expectations. Other factors that assisted monetary policy were the recovery in the exchange rate of the rand and slower rates of increase in food and energy prices. The success achieved in the containment of inflation allowed the Reserve Bank to reduce the repurchase rate by 550 basis points in the second half of 2003.

Significant progress was also made in strengthening the foreign exchange reserves of the Bank. The net open foreign-currency position was finally expunged in May 2003 and the oversold forward book was closed out during February 2004. With the accomplishment of these goals, the objective of the Bank has now shifted to gradually building up the official gross and net foreign reserves to higher levels. At the end of June the gross foreign exchange reserves of the Reserve Bank amounted to US$11,4 billion and the net reserves to US$7,6 billion.

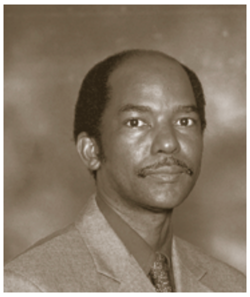
Other milestones of the Bank in the financial year 2003/04 included the maintenance of a sound regulatory banking framework and national payment system; the upgrading of security features of banknotes to deter counterfeiting; the oversight of the stability of the financial system; active participation in efforts to create greater regional economic co-operation; the containment of costs incurred by the Bank; the strengthening of the financial structure of the balance sheet of the Bank through a marked reduction in the outstanding balance on the Gold and Foreign Exchance Contigency Reserve Account; the development of a more effective and efficient staff policy framework; and the implementation of new accounting requirements to conform to international best practice.

In the year ahead the Bank will continue to strive to achieve even greater excellence. Our strategic objectives are to maintain price stability at the least cost to the economy; to improve the effectiveness of our market operations; to promote continued stability in the banking sector and in the wider financial system; to finalise the upgrading of the banknote series; to continue with the process of transformation and to build and maintain staff morale; to concentrate on the development of staff through training, mentorship and coaching; to maintain an attitude of cost consciousness and, last but not least, to improve corporate governance further.

T T Mboweni
Governor

Pretoria
July 2004

Board of Directors

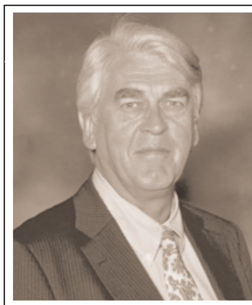


Dr X P Guma

Governor and Chairperson of the Board
Mr T T Mboweni

Ms G Marcus

Dr D Konar



Mr I Plenderleith

Prof M Padayachee

Mr J W Raath

Ms F Jakoet

Ms A M Mokgabudi

Mrs Z P Manase

Ms N D Orleyn

Mr S M Goodson

Board members
as at 31 March 2004

Mr T T Mboweni
Governor and Chairperson of the Board

Ms G Marcus
Deputy Governor

Dr X P Guma
Deputy Governor

Mr I Plenderleith
Deputy Governor

Dr D Konar
Representing Commerce or Finance

Prof M Padayachee
Representing Government

Mr J W Raath
Representing Agriculture

Ms F Jakoet
Representing Commerce or Finance

Ms A M Mokgabudi
Representing Industry

Mrs Z P Manase
Representing Commerce or Finance

Ms N D Orleyn
Representing Industry

Mr S M Goodson
Representing Commerce or Finance

Corporate governance

The South African Reserve Bank is committed to the principles of, and complies to a significant degree with, the requirements of the King Report on Corporate Governance, particularly those contained in the "King Report on Corporate Governance for South Africa 2002". The compliance of the Bank with these requirements is reflected below.

Board of Directors

In accordance with the South African Reserve Bank Act, No 90 of 1989 (Reserve Bank Act) the Board of fourteen directors must comprise:

Executive directors

- the Governor and three deputy governors appointed by the President of the Republic. The Governor serves as Chairperson of the Board and as Chief Executive Officer of the Bank.

Non-executive directors

- three directors appointed by the President of the Republic; and
- seven directors elected by the shareholders.

The Reserve Bank Act requires that of the directors elected by the shareholders:

- four shall be persons with experience in commerce or finance;
- one shall be a person with experience in agriculture; and
- two shall be persons with industrial experience.

The Board meets regularly (at least four times a year) and monitors the exercise of the functions that it has delegated to executive management through a structured approach. This structured approach includes receiving reports from the Governor's Committee, which is responsible for the day-to-day activities of the Bank, and various subcommittees, chaired by non-executive directors. Non-executive directors have no service contracts with the Bank and are appointed for a specific term. Re-election is not automatic. There is a balance of both executive and non-executive directors to ensure independence and objectivity. The Board comprises people with integrity and diversity of skills and knowledge to ensure effective governance.

There are currently vacancies for two government-appointed directors.

Governor's Committee

The Governor and deputy governors, in their capacity as executive directors of the Bank, are responsible for the day-to-day management and policy decisions of the Bank, except those reserved for the Board. The Governor's Committee meets fortnightly to consider policy issues and other executive management matters. These meetings are also attended by the Chief Economist and the General Counsel.

Audit Committee

The composition of the Audit Committee, which is a subcommittee of the Board, appears on page 27. The external and internal auditors have unrestricted access to the Chairperson of this committee. The committee meets regularly with management, the Internal Audit Department and the external auditors. They review the financial statements and underlying accounting policies, the effectiveness of management information and other systems of internal control, and the effectiveness of the internal audit function. The Audit Committee also reviews the risk management processes applicable to the Bank's operations and examines and recommends areas that internal and external auditors must cover.

Remuneration Committee

The composition of the Remuneration Committee, a subcommittee of the Board, appears on page 27. The committee meets regularly to review human resources matters and remuneration practices and policies. This committee also determines the remuneration packages of the Governor, deputy governors, management and staff.

Monetary Policy Committee

The Monetary Policy Committee is responsible for ensuring the formulation of monetary policy in line with current international best practice. The committee comprises the Governor and deputy governors, as well as four senior officials of the Bank. The committee meets at regular intervals and a statement on the monetary policy stance of the Bank is issued after each meeting. Decisions are taken by consensus.

Internal audit

The primary purpose of the Internal Audit Department (IAD) is to independently evaluate corporate business risks of the Bank and its subsidiaries and to provide objective assurance and consulting services regarding the adequacy and effectiveness of risk management, control and governance processes.

Acting on a direct mandate from the Governor and the Board of Directors of the Bank, the IAD is functionally accountable to the Audit Committee of the Board of Directors with direct access to the Governor and the Chairperson of the Audit Committee. The department reports administratively to a deputy governor.

The IAD performs its functions in accordance with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors. The scope of internal audit work includes assessments of the various components of the system of control, focusing on the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets and compliance with laws, regulations, contracts and procedures.

Internal control

To fulfil its responsibilities, management of the Bank has established and maintains an adequate and effective system of internal control and ensures compliance therewith. This internal control system, which is designed to provide reasonable assurance about the integrity and reliability of financial and management information, is based on the established written policies and procedures of the Bank.

Policies and procedures are implemented by trained and skilled staff, and duties are appropriately segregated. All staff members are required to maintain the highest level of ethics in ensuring that the practices of the Bank are conducted in a manner which, in all reasonable circumstances, is above reproach.

Systems are in place to ensure the safeguarding of and control over assets, the economical and efficient use of resources allocated and the effective performance of all functions.

Budget Committee

The Bank ensures financial discipline through a Budget Committee comprising the three deputy governors, the head of the Financial Services Department and a representative from the Corporate Services Department. This committee meets regularly to oversee the preparation of the operational and capital budgets and the monitoring and management of actual expenditure. Quarterly reports are submitted to the Board.

Employment Equity Consultative Body and Management Steering Committee

The Bank has involved the Employment Equity Consultative Body (EECB) as a strategic partner in the implementation of employment equity. The EECB was established to represent employees in consultations with the Management Steering Committee (MSC) with regard to employment equity matters. In consultations with the EECB, the Bank developed an Employment Equity Plan 2005 (EE Plan) as required by the Employment Equity Act, No 55 of 1988 (the EE Act). Since the EE Plan has been submitted to the Department of Labour in 2000, consultations between the EECB and MSC continue to ensure that employees play a role in the implementation of employment equity by participating in the compilation of the Annual Employment Equity Progress Reports for the Department of Labour. The EECB and the MSC also play a significant part in the review of human resources policies to ensure that these are supportive of employment equity.

Code of ethics and conduct

Staff members of the Bank are required to adhere to and comply with defined best practice in their business dealings and actions as contained in the Staff Policies.

Safety, health and environmental issues

The Bank and its subsidiaries continue to be committed to safety, health and environmental matters, not only as required by law, but also as part of their ongoing social responsibility.

The Bank undertook building alterations, which, to some extent, had an impact on its compliance in these areas. However the building alterations have been completed and a more effective compliance management and co-ordination structure and process, which have brought it in line with the requirements of the Occupational Health and Safety Act, No 85 of 1983, have been implemented.

The Bank proactively ensures a healthy working environment through the regular commissioning of environmental studies by external consultants and the implementation of corrective actions where required.

The Bank continues with the objectives and strategy it has set out for its HIV/Aids programme. This strategy addresses various issues such as awareness, education, support to those infected and affected, avoidance of discrimination and the impact on the work environment.

In general, the Bank acknowledges the importance of the health and safety of its personnel and is therefore committed to ensure that this is continuously maintained at all levels.

Risk management

Risk is an inherent feature of the of the activities of the Bank. The Bank is committed to managing risks by applying appropriate structures, systems and procedures. These structures, systems and procedures evolve continuously in response to changes in the financial and economic environment in which the Bank operates.

Management structures

The organisational structure of the Bank is designed to ensure an appropriate allocation of responsibilities. This is supported by a formal delegation of authority and a proper segregation of duties to achieve sound internal controls. The management of foreign and local financial market risks is strengthened by separate middle office functions to monitor exposures and to report independently to management.

Risk elements

The financial risk elements in the activities of the Bank are: Interest rate, market price, credit and liquidity. These risks are discussed in Note 30 of the financial statements. Operational, human resource, legal and reputational risks are discussed below.

Operational risk

Operational risk is the risk of loss due to factors such as inadequate systems, management failure, ineffective internal controls, fraud and human error.

The Bank addresses these risks through comprehensive internal controls, back-up facilities, contingency planning and independent internal audit procedures. Assessments of operational risk are conducted on an ongoing basis by the appropriate organisational units. These risks are closely monitored by executive management and the Board through both the Internal Audit Department and the Audit Committee.

Human resource risk

The particular nature of the activities of the Bank necessitates specialised knowledge in many areas.

In order to ensure an adequate knowledge base at all times, the Bank invests significantly in staff training, maintains succession plans for key personnel and is committed to remunerating its staff on a market-related basis.

Legal risk

Legal risks arise from any uncertainty of enforceability, whether through legal or judicial processes, of the obligations of the Bank's clients and counterparties.

The Bank seeks to minimise such uncertainties through continuous consultation with internal and external legal advisers to understand better the nature of such risks and to improve the documentation and structure of transactions. In addition, the Bank has established legal procedures designed to ensure compliance with all applicable internal, statutory and regulatory requirements.

Reputational risk

The executive management of the Bank has the necessary freedom and discretion in exercising central banking functions. However, this freedom is exercised within the context of fiduciary duties of good governance and by ensuring a proper balance between accountability and the best interests of the Bank and its various stakeholders. Consequently, the management of the Bank follows to the best of its ability the principles and guidelines contained in the Code of Conduct of the King Report on Corporate Governance in fulfilling its fiduciary duties.

The Bank's function of overseeing and ensuring the integrity of the country's banking system exposes it to severe criticism whenever there is an incident of bank failure or systemic difficulty. The responsibilities of the Bank regarding monetary policy, national payment system and the issuing of notes and coin also expose the Bank to significant reputational risk. The Bank adheres to international best practice and, to this end, maintains close liaison with international peers. The Bank strives for full compliance with the Basel Core Principles for effective banking supervision.

Mission statement

The South African Reserve Bank is the central bank of the Republic of South Africa. It regards its primary goal in the South African economic system as

the achievement and maintenance of financial stability.

The South African Reserve Bank maintains that South Africa has a growing economy based on the principles of a market system, private and social initiative, effective competition and social fairness. It recognises, in the performance of its duties, the need to pursue balanced economic development and growth.

Functions

The Reserve Bank, in the pursuance of its goal, the realisation of its philosophy and the fulfilment of its responsibilities, assumes responsibility for

- formulating and implementing monetary policy in such a way that the primary goal of the Reserve Bank will be achieved in the interest of the whole community that it serves;
- ensuring that the South African money, banking and financial system as a whole is sound, meets the requirements of the community and keeps abreast of international developments;
- assisting the South African government, as well as other members of the economic community of southern Africa, in the formulation and implementation of macroeconomic policy; and
- informing the South African community and all interested stakeholders abroad about monetary policy and the South African economic situation.

Business philosophy

The Reserve Bank accepts that the credibility of its policy and actions is a prerequisite for the attainment of its goals and that such credibility can only be achieved and maintained through independent action, firmness of principle, resoluteness and fixed intent. Furthermore, the Bank is convinced that fairness is integral in its judgement and actions.

The Reserve Bank ensures, through the application of modern management practices and technology, that all its activities are conducted so as to maximise efficiency at the lowest possible cost.

Personnel philosophy

The Reserve Bank is convinced that its employees should find working for the Bank a stimulating and personally enriching experience, and consequently accepts co-responsibility for the development of each employee to his/her full potential. Career progress is based on the contribution made by the individual towards the fulfilment of the responsibilities of the Bank and therefore initiative, innovative thinking and professional expertise are systematically developed and rewarded.

The Reserve Bank is convinced that equal opportunities for all, irrespective of ethnicity, race, gender or religion, should be pursued.

The Reserve Bank accepts that only through the loyalty and dedication of its employees will the Bank be able to achieve its goal and fulfil its aims.

Monetary policy decision-making

The Monetary Policy Committee (MPC) currently comprises eight members: The Governor, the three deputy governors and four senior officials of the Reserve Bank.

Meetings are scheduled for every second month, and the timetable is finalised before the beginning of the year and published on the website of the Bank. However, provision is made for unscheduled meetings if the need arises. During the past year there was one unscheduled meeting, in September 2003.

Between meetings there is a continuous monitoring of economic developments, particularly those that impact on inflation and monetary policy. Members receive briefing updates and analysis and research output from various departments in the Bank, as well as input from various external domestic and international sources. These include financial institutions, academic economists, and international organisations such as the International Monetary Fund and the Bank for International Settlements.

The MPC cycle begins approximately three to four weeks prior to the scheduled meeting, when committee members meet with the head of the Macro Models Unit of the Research Department. By then the modeling team will have consulted various other units of the Research Department and the Financial Markets Department regarding the assumptions that have to be made in the models. Greater emphasis is given to the forecast than in the past. However, it is important to stress that there is no mechanical relationship between the forecast and monetary policy decisions. Because of the uncertainties inherent in the forecast, the models and forecasts are tools to policy-making, but the final decision has to be a judgement call based not only on the forecast but also on the analysis of the MPC.

Monetary policy decisions are made on the basis of current and expected economic developments. The MPC monitors a number of factors that influence inflation, including the components of domestic and external demand; money supply and credit extension; changes in wages and productivity and unit labour cost; the output gap; exchange rate developments; and import prices, oil prices and other administered prices. There is no target for any of these variables other than for CPIX, which is the benchmark for monetary policy decisions.

The first day of the scheduled MPC meeting starts with presentations on special items of topical interest that are prepared on an *ad hoc* basis, usually at the prior request of the MPC. In the past, such topics have included analyses of food prices, international oil prices and the role of monetary aggregates in the inflation process. This is followed by a review of economic developments, prepared by the staff of various departments in the Bank and presented by senior members of the respective departments. The MPC members will have received a full set of documentation the previous week. The standard agenda for the economic developments is as follows:

- International economic conditions: Prepared by the Research Department.
- Financial markets, including domestic and international monetary and bond markets, and currency markets: Prepared by the Financial Markets Department.
- Financial and fiscal developments: Prepared by the Research Department.
- National economic conditions: Prepared by the Research Department.

- Economic forecasts: The forecasts of the various Bank econometric models as developed by the Research Department and also surveys of inflation expectations.

Each presentation is followed by discussion. These presentations usually continue until late afternoon, and up to that point the monetary policy stance is not discussed. In the evening there is a working dinner where some of the issues raised during the course of the day are discussed further, with a focus on the implications for the monetary policy stance.

The following morning begins with a summary of the discussion of the previous evening. At this point, the discussion turns to the monetary policy stance. Committee members are then asked in turn to express their views on the appropriate monetary policy stance and on any interest rate changes that may be deemed appropriate. In general, decisions are made by consensus. There is no voting.

Once the MPC has reached a decision, a statement is issued to the press. The statement is also covered on national television and posted on the Bank's website.

Apart from the press conference, monetary policy decisions are communicated and explained in a variety of other forums. The *Monetary Policy Review* is published twice per year, and released at the National Monetary Policy Forum in Pretoria. The forum is attended by interested persons, including financial analysts, academics, trade unionists and politicians. The MPC members also deliver presentations at nine regional Monetary Policy Forums. The aim of the forums is to explain monetary policy decisions and build up support for the low inflation objective of the Bank.

Other channels of communication include quarterly presentations by the Governor to the Parliamentary Portfolio Committee on Finance, numerous speeches by the Governor and deputy governors of the Bank and regular presentations by senior members of the Bank to the National Economic Development and Labour Council.

Organisational overview

The thrust of the South African Reserve Bank's (Bank's) monetary policy remains the attainment and maintenance of price stability.

The primary focus in the process of executing monetary policy is the achievement of the official inflation target. This contributes not only to the protection of the purchasing power of the public, but also to sustainable economic growth and development in the long run.

It is also essential for banking regulation and supervision to stay abreast of international developments, and for the banking system to be strengthened further to ensure the stability of the banking sector.

Inflation targeting

During the period under review, six meetings of the Monetary Policy Committee (MPC) were held. Although the original schedule was for quarterly meetings to coincide with the release of quarterly data, it was felt that this led to excessively long lags between meetings. Following an MPC strategic planning session in May 2003, a new schedule was announced which allowed for meetings to be held in alternate months. As in the past, the MPC reserved the right to hold unscheduled meetings if it was felt that circumstances warranted this, as was the case on 10 September 2003.

Although the monetary policy stance is generally set at the MPC meetings that are held in alternate months, there is in fact a continuous process of review, taking into account any new information or developments.

Although there were clear signs that the inflation rate was moving towards the inflation target at the beginning of the period under review, the situation changed significantly by the time of the June 2003 meeting as well as subsequent meetings. An important factor in June was the downward revision by Statistics South Africa of the CPIX (consumer price index for metropolitan and other urban areas, excluding the interest cost of mortgage bonds) inflation data by almost 200 basis points. This had a considerable impact not only on current inflation but also on the expected future path of inflation.

According to the forecasts presented to the MPC in June 2003, CPIX inflation was expected to decline to reach the midpoint of the target by the fourth quarter of 2003 and remain in that vicinity for the remainder of the forecast period. At subsequent meetings the updated forecasts, based on revised assumptions, continued to indicate that inflation would remain comfortably within the target range, despite successive reductions in interest rates.

It was not only the revision of the data that allowed for the more favourable outlook. A number of factors that determine the inflation outlook had improved. Production price inflation (PPI), which is generally a good indicator of future trends in consumer price inflation (CPI), had declined to 3,3 per cent in April 2003, mainly as a result of the recovery in the rand exchange rate and moderating food price inflation. By the time of the October 2003 meeting, PPI inflation had fallen to 0,2 per cent. CPIX inflation had declined to 4,4 per cent for October and the PPI inflation rate remained negative by the time of the December meeting.

International factors that contributed to the improvement in the domestic inflation outlook included low global inflation, which meant that there was little threat from imported inflation. There was, however, an expectation that the world interest rate cycle would begin to trend upwards. Oil prices did not appear to be a major concern, and in fact the expectation was for a continued moderation in international oil prices.

Most domestic indicators also pointed to a positive inflation outlook during 2003. The relatively low output growth and the low level of manufacturing capacity utilisation confirmed that output was well below the country's growth potential. Money supply growth and credit extension continued to increase at a rate of around 12 per cent per annum. Fiscal policy was expected to remain disciplined and inflation expectations had come down significantly.

The behaviour of the exchange rate of the rand was an important factor influencing the inflation outlook. At the time of the October MPC meeting the nominal effective exchange rate of the rand was 16 per cent stronger than at the beginning of the year. Although much of this was a result of dollar weakness, the rand rose over the year against other currencies as well, although not by as much as against the dollar.

At the subsequent three meetings of the MPC, the inflation outlook facing the committee continued to improve and this allowed the MPC to reduce interest rates by 100 basis points at the August and September meetings, respectively, and by 150 basis points at the October meeting. At the December meeting, the repurchase (repo) rate was reduced by 50 basis points to 8 per cent, and since then the level of the repo rate has remained unchanged. This is the lowest nominal level for this interest rate or its predecessor, the Bank rate, since 1980.

Given this favourable background, there was a general expectation in the market that the repo rate would be reduced by at least 100 basis points at the December 2003 meeting. The MPC, however, felt that there were sufficient grounds to justify a more modest reduction of 50 basis points. The inflation forecasting model of the Bank indicated that inflation was expected to edge up in the course of 2004, although it was expected to remain below the upper limit of 6 per cent. This reversal in the expected inflation trend could be attributed to the strong growth in domestic final demand, in part as a result of the previous repo rate reductions. Other risk factors included a threat to food prices as a result of the then continuing drought, uncertainties related to the exchange rate of the rand, and the possible increase in unit labour cost as a result of the high nominal wage settlements.

By the time of the February 2004 MPC meeting, the CPIX inflation rate was still below the midpoint of the inflation target range, having fallen to 4,0 per cent in December before rising to 4,2 per cent in January. As usual, however, the committee's focus was on the expected trend of inflation, which, as was the case at the time of the previous meeting, was expected to edge up towards the upper end of the target range. The decision not to change the repo rate at this meeting was to ensure that the inflation rate would remain within the target band over the next two years. At this point inflation was projected to accelerate moderately during 2004 to close to the upper limit of the target, followed by somewhat slower rates of increase during 2005.

Positive factors identified by the MPC included the low recommended tariff increases of some public utilities. On the negative side the continued drought was seen as a major threat to the maize and grain crops, with negative implications for food prices in general. The MPC continued to monitor the growth in domestic demand, which was financed to some extent by bank credit extension.

Open-market operations

The Bank conducted weekly main repo auctions during the 2003/04 financial year to refinance the liquidity requirement of the banking sector. The amounts offered by the Bank at the weekly repo auctions fluctuated between a high of R13,2 billion and a low of R10,4 billion. The higher levels since September 2003 were due to the further phasing out of the vault cash concession, amounting to R2,0 billion.

In addition to the main repurchase transactions, supplementary auctions were conducted at the prevailing repo rate and, on occasion, final clearing repurchase transactions at the penalty rates of either 150 basis points above or below the repo rate.

In order to drain liquidity from the money market, the Bank conducted weekly auctions of South African Reserve Bank (SARB) debentures. The outstanding amount of debentures decreased from R7,9 billion on 1 April 2003 to R6,3 billion at the end of March 2004. The rate paid by the Bank on 28-day debentures varied between 13,21 per cent and 7,86 per cent, reflecting the decline in interest rates since June 2003. In addition to the debenture auctions, auctions involving longer-term reverse repos were conducted in most weeks. The outstanding amount of longer-term reverse repo transactions with the market decreased from R10,3 billion on 1 April 2003 to R3,5 billion on 31 March 2004.

On 6 October 2003, the Bank received R7,0 billion zero-coupon bonds from the National Treasury as partial payment for the accumulated balance on the Gold and Foreign Exchange Contingency Reserve Account. The full amount of these bonds was converted into interest-bearing bonds on 10 October 2003. These additional bonds in the Monetary Policy Portfolio (MPP) of the Bank were utilised in longer-term reverse repo transactions. In addition, bonds in the MPP were sold outright in order to drain money-market liquidity on a permanent basis.

Along with certain switches conducted with the National Treasury to change the composition of the MPP, several switch auctions were also conducted with market participants to exchange longer-term bonds for the short-term R006 bonds, which matured at the end of February 2004. On 28 February, the Bank received R6,5 billion in cash when the R006 bonds matured. This enabled the Bank to decrease its other outstanding liquidity-draining transactions. The balance sheet of the Bank was also deflated in the process.

The net effect of these operations not only led to a strengthening of the Bank's balance sheet, but also to a marked reduction on the outstanding balance on the Gold and Foreign Exchange Contingency Reserve Account. Moreover, the money-market swaps with counter dollar deposits, which reached a high of almost R55 billion in August 2002 were reduced to a nil balance in November 2003. These transactions were primarily used to drain excess liquidity from the money market associated with losses on the oversold forward book.

Administration of exchange controls

The Bank played a major role in drafting the Exchange Control Amnesty and Amendment of Taxation Laws Act, 2003 (Act No 12 of 2003). The independently constituted Amnesty Unit, staffed in part by Bank personnel, deals with amnesty applications.

As part of a move to a full prudential regime for foreign portfolio investments by institutional investors, an interim dispensation was introduced with effect from August 2003. Retirement funds, long-term insurers and investment managers registered as institutional investors for exchange control purposes can have a foreign exposure not exceeding 15 per cent of retail assets, and 20 per cent in the case of collective investment scheme management companies. Institutional investors are required to submit quarterly returns of the allocation of assets according to the major asset classes.

Another round of exchange control relaxations was announced in the Budget Speech in Parliament on 18 February 2004. The ability of non-residents to access local credit to finance foreign direct investment into South Africa was enhanced threefold. In the course of 2004 measures to enable foreign firms to list on the South African capital markets will be implemented, thus allowing them to raise debt and equity finance on the JSE Securities Exchange SA and the Bond Exchange of South Africa.

Strengthening foreign exchange reserves

During the year under review the Bank achieved significant milestones in expunging the negative net open foreign exchange position (NOFP) and squaring off its oversold forward book. These positions had constituted serious structural imbalances in the South African financial system and the move from these negative positions into positive and rising levels of official foreign exchange reserves represented a significant strengthening in the external position of South Africa.

The NOFP and the oversold forward book amounted to US$23,1 billion and US$25,3 billion, respectively, in October 1998. Both were reduced significantly during 1999 and again from 2001 onwards. At the end of March 2003, the negative NOFP and the oversold forward position still amounted to US$1,2 billion and US$6,6 billion, respectively. The oversold forward book still reflected a negative balance of US$4,7 billion in May 2003.

In order to reduce these negative positions, the Bank continued to purchase foreign exchange from the market in terms of its “creaming-off” policy and applied these proceeds against the oversold forward book. This policy, together with the utilisation of the proceeds of government’s external borrowings, enabled the Bank to finally close out the oversold forward position in February 2004. Squaring off the forward book allowed the Bank to deal successfully with one of the consequences of an unfortunate part of the country’s financial history. Going forward, any purchases of foreign exchange will generally be reflected in increasing gross and net foreign reserves.

On 1 March 2004 the Bank announced a new format for presenting its gold and foreign exchange position. To improve the level of transparency regarding official gold and foreign exchange reserves and also to provide timely information to the public, the new format of the information notice is released monthly on the same day as the Bank’s Statement of Assets and Liabilities. The Bank has also harmonised its terminology to conform to the international format by replacing the phrases *net open foreign exchange position* (NOFP) and *forward book* by *international liquidity position* (*net reserves*) and *forward position*, respectively. Historic data are provided on the basis of the new format for the period since 1998 via the Bank’s website.

Ensuring availability of foreign exchange credit lines

At 31 March 2004 the Bank's total foreign exchange borrowing facilities amounted to US$4,4 billion. The outstanding balance of loans utilised increased from US$2,5 billion at 31 March 2003 to US$3,7 billion on 31 March 2004. This increase was mainly as a result of the Bank taking over part of the co-borrowed 2001 syndicated loan that was pre-paid by the National Treasury. Given the improving credit status of South Africa, the Bank was able to reduce its funding costs.

On 16 June 2003 the Bank signed a three-year syndicated term loan facility for US$1 billion to refinance the maturing US$500 million syndicated gold loan facility, with the balance of US$500 million used to augment reserves. This syndicated loan was successfully negotiated despite the background of a difficult transaction period as a result of the war in Iraq and general uncertainty in the markets. The Bank was once again able to secure the support of an impressive group of international banks, clearly demonstrating the strength of its relationships and good reputation in the market. The improving credit standing of the Bank and the country resulted in better terms and conditions for the loan when compared with the three-year tranche under the syndicated loan entered into in 2002.

The Bank completed the process of terminating its gold pre-export financing facilities dating back to the time when the Bank fulfilled the function of marketing South Africa's gold. Facilities to the value of US$465 million were replaced by other credit facilities.

Reserves management

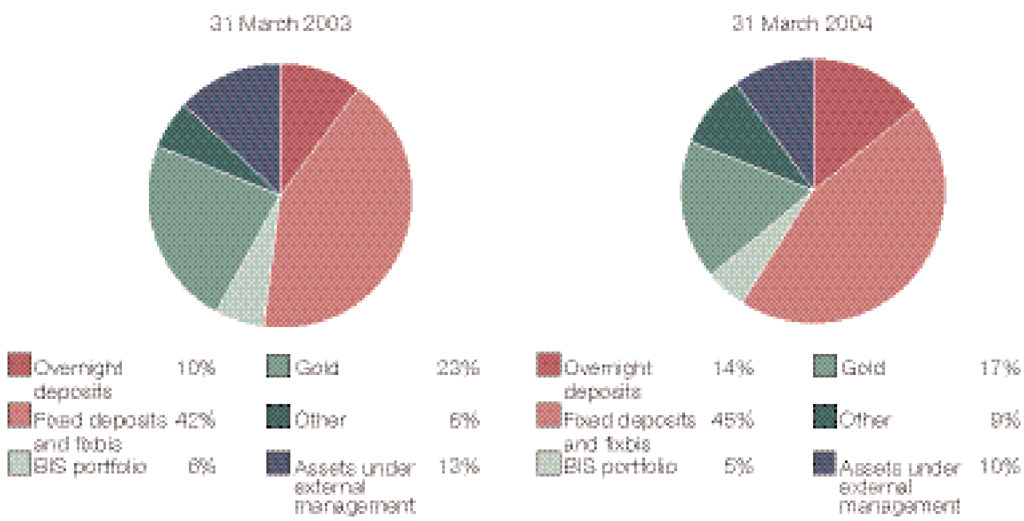
In managing reserves, the Bank strives to balance three objectives:
1. To preserve the capital value of the reserves;
2. to have adequate liquidity to meet the day-to-day foreign exchange commitments of the Bank; and
3. to earn a market-related return within acceptable risk parameters.

The Bank's gross reserves increased by 26,2 per cent from US$7 893 million to US$9 964 million during the period under review.

The reserves of the Bank are divided into a liquidity tranche, primarily to achieve the first two objectives, and an investment tranche which, in addition, seeks to earn a return that will offset some of the costs of borrowing the reserves. The charts on the following page show the asset classes in which reserves were invested at the end of March 2003 and March 2004, respectively.

The externally managed portion of reserves declined from 13 per cent of total reserves to 10 per cent during the 2003/04 financial year. This resulted mainly from the increase in the Bank's foreign exchange reserves. The internally managed portfolio showed a concomitant increase, with the portion of overnight deposits increasing from 10 per cent to 14 per cent, and the portion of fixed deposits, including fixed deposits with the Bank for International Settlements (BIS), increasing from 42 per cent to 45 per cent.

Official gold and foreign exchange reserves according to asset class



Currently there are two sets of external fund managers. Their performance is measured against two benchmarks, namely the 90-day US dollar London Interbank Offered Rate (Libor) and the one-to-three-year Global Government Bond Index. The externally managed Libor portfolio earned a return of 1,80 per cent, compared with a benchmark return of 1,20 per cent, and the externally managed global bond portfolio earned 2,70 per cent, compared with a benchmark return of 2,61 per cent. In the internally managed liquidity tranche, the working capital portfolio earned 1,38 per cent, the correspondent banking portfolio 1,54 per cent and the BIS portfolio 1,37 per cent. The higher returns earned by the external fund managers resulted from a higher risk tolerance embedded in their respective benchmarks.

The internally managed portfolios were invested in relatively low-risk and liquid assets, mainly with the correspondent banks, in the form of fixed and overnight deposits. Nine per cent of the reserves are invested with the BIS in the form of fixed deposits and medium-term instruments.

Preparations entailing putting in place the required systems and controls and the training of staff in the area of fixed-income trading were made for the roll-out of actively managed internal portfolios during the coming year. Systems, risk-management procedures and internal controls were tested by actively managing a dummy portfolio. When management was satisfied that this portfolio had achieved the desired results, a live testing portfolio was run successfully.

Changes to investment guidelines and general assessments of market movements are presented to an Investment Committee on a regular basis to ensure adequate high-level control over the reserves management activities and the broad investment strategies. The Investment Committee consists of senior staff from various line departments in the Bank and the National Treasury. It submits a quarterly report on the performance of all the portfolios to the Bank's Monetary Policy Implementation and Governor's Committees, and also submits annual reports to the Board of Directors.

Promoting a sound regulatory framework

The Bank monitored regulatory developments in the financial system and updated its assessment of the robustness of the financial system based on the twelve key financial standards identified by the Financial Stability Forum. Staff members attended relevant external multi-lateral meetings and were included in working groups formed as part of efforts to promote the safety and effectiveness of the financial system. These discussions cover various issues surrounding changes to the financial regulatory structure, such as the possibility of establishing a South African deposit insurance scheme and an integrated financial regulator.

The Bank established and maintained key indicators of potential distress and instability in the financial system, and was engaged in the ongoing study of systemic risks with contagion implications for the financial sector. The Bank also co-ordinated the development of contingency measures to be applied in the event of a systemic crisis. Research on international, regional and domestic issues impacting on financial stability is also ongoing.

In line with best practice in banking supervision, the structure of the Bank's supervisory process was modified with the objective of creating an integrated process with a single point of entry. Relationship teams, comprising Bank staff with diverse competencies, are responsible for each bank or banking group and are also responsible for developing and implementing the Bank's supervisory programme. To fulfil the objectives of risk-focused supervision, relationship teams have to be conversant with the banks' business models, risk profiles, financial conditions, management structures, strategic plans and direction, and overall operations.

The Bank Supervision Department (BSD) has embraced the principles of the new Capital Accord (Basel II). These principles are intended to align capital-adequacy requirements more closely with the key elements of banking risks and to provide for banks to enhance their risk-measurement and risk-management capabilities. Implementation of Basel II will be one of the BSD's high priority strategic focus areas for the forthcoming number of years. As part of the continued engagement with the Basel Committee on Banking Supervision, the Bank attended two joint meetings of the Core Principles Working Group (CPWG) and the Accord Implementation Group (AIG). Issues discussed included the scope of implementation, cross-border supervision and data, and validation of internal systems in respect of Basel II. The Bank presented cross-border implementation issues.

The impact of accounting statement AC133, which introduced fair value accounting to certain classes of assets and liabilities, became evident in 2003. Amendments to some risk returns have become necessary and a forum, consisting of representatives of commercial banks, the auditing profession and the Reserve Bank, was established to formulate the required amendments to the regulatory framework. Also, after extensive research on the best international regulatory and market practices, the Bank has implemented an amended securitisation notice to distinguish between traditional and synthetic securitisation schemes and to regulate both.

The Bank devotes the necessary resources towards safeguarding the integrity of the banking system by combating money laundering and the financing of terrorism. The Bank also joined the Financial Action Task Force in June 2003. The Anti-money Laundering Work Group co-ordinates the implementation of anti-money laundering countermeasures in the Bank. Significant progress has been made in staff training. Two anti-money laundering learning modules have been developed and are now administered through the South African Reserve Bank (SARB) College. The programme is geared to foster awareness, enable compliance and identify suspicious and unusual transactions. Staff members from the Bank, the Financial

Services Board, the South African Revenue Services and the National Gambling Board have attended the programme.

Upgrade of current banknote series

The security features of the current banknotes are being upgraded to provide improved authentication devices for the public and to deter counterfeiting. The South African National Cash System, a statistical database, has been implemented successfully. Management information with regards to all banknote transactions at the Bank is maintained on the system.

The second phase of increasing the effectiveness of the management of notes and coin on a national basis (the first phase being the commissioning of a modern management and control system in the Bank), has commenced. The purpose of the envisaged system is to integrate cash management throughout the industry. A full analysis of the requirements of the various stakeholders (the Bank, commercial banks and cash-in-transit operators) was done and a broad specification document was compiled.

International and regional relations

The Bank plays an important role in the activities of the continent, such as participating in the Eastern and Southern African Supervisors Group (ESAF). ESAF actively promotes the harmonisation of bank-supervisory philosophies and practices in the region by bringing together the views of regional bank-supervisory bodies, with the objective of promoting the overall standard of bank supervision in ESAF member countries in line with international best practice. At the June 2003 ESAF Annual General Meeting held in Malawi, the host country was elected to fill the ESAF chair, and the BSD was re-elected to perform ESAF's secretariat function for another five-year term. Regular meetings are held about a range of issues to monitor developments in areas such as cross-border payments and settlements in the Common Monetary Area (CMA) countries and the Southern African Development Community (SADC) payment system.

On 2 and 3 September 2003 the Financial Markets Department and the BIS co-hosted an International Reserves Management Seminar. Co-chaired by Deputy Governor Ian Plenderleith and Mr Robert Sleeper, Head of the Banking Department of the BIS, the two-day seminar attracted delegates from 15 African countries and high-ranking delegates of the BIS. Presenters included senior officials from the BIS and African central banks. Topics presented and debated included motives for holding and managing reserves, optimal levels of reserves, constraints in reserves management experienced by African central banks, appropriate investment instruments, efficient portfolio management, internal versus external reserves management and risk management.

During the period under review, various members of staff visited international correspondent banks. Others attended training programmes and seminars with fund managers, foreign banks and institutions. The Bank's relations with international banks were also enhanced by the successful conclusion of the US$1 000 million syndicated loan. In pursuit of the overall objective of strengthening ties with central banks in the region, the Bank received many visitors from central banks for both training and information sharing.

The Bank co-operated closely with the exchange control authorities of CMA member states, namely Lesotho, Namibia and Swaziland. It played an active role in supporting the Committee of Central Bank Governors (CCBG) in SADC and participated in the Exchange Control Subcommittee that tabled an updated report on exchange control relaxations in the region. The Bank also assisted the Bank of Namibia, the Central Bank of Swaziland and the Reserve Bank of Zimbabwe with the introduction of a "same source" system for reporting cross-border foreign exchange transactions by their authorised dealers.

Information flows were constantly monitored and data provided to a range of interested parties, including the International Monetary Fund (IMF). The IMF was also given updated information for the *Annual Report on Exchange Arrangements and Exchange Restrictions*.

Through its International Relations Unit the Bank continued to serve as the Secretariat of the CCBG in SADC and chaired the SADC Legal Steering Committee that prepared Memoranda of Understanding on legal and operational frameworks, exchange control, national payment systems and information technology. The Bank also participated in several meetings of the governors of the central banks of the CMA and their senior officials in which economic developments in the CMA countries were examined and joint research projects initiated.

The Bank Supervision Application (BSA) was successfully deployed in the central banks of Mozambique and Zambia. The BSA is designed to support a range of bank supervision processes, which include the banking licence applications, off-site supervision, on-site investigations, enforcement actions and research processes in SADC and ESAF central banks.

The Bank strives to play a collegial role on the continent and to gain the best knowledge and insight so as to align itself with international best practice in central banking matters. To this end, the Bank is a member of the BIS and a regular attendee at the meetings of the BIS, CCBG and other international bodies.

South Africa meets the stringent requirements of the internationally established standards which guide members in disseminating economic and financial data. The Bank's adherence to the IMF Special Data Dissemination Standard (SDDS) regarding the coverage, periodicity and timeliness of macroeconomic data and the dissemination of advance release calendars enhances the access to timely and comprehensive statistics. The quality and transparency of macroeconomic data have, in turn, led to enhanced confidence in and understanding of the South African economy, contributing to South Africa's investment grade sovereign credit rating.

The Bank also taps into international and regional debates and practices through the SARB College. The college actively seeks co-operation with other international training institutions, such as the IMF Institute and the Centre for Central Banking Studies of the Bank of England, and plays a vital role in the development of central bankers in Africa by promoting internationally accepted central banking principles. College employees regularly present lectures and papers at local and international workshops and conferences including those held at the Centre for Central Banking Studies, Bank of England, other central banks on the continent, and at local universities.

The Bank keeps abreast of international developments in e-money, and has conducted research into new payment technologies and practices. The Bank also participated in an e-money survey by the BIS and a report on the survey will be issued during the first half of 2004.

Developing and maintaining the national payment system

The Bank continued to enhance the effectiveness and integrity of the national payment system (NPS) during the 2003/04 financial year by developing oversight capacity and maintaining a high standard in the provision of settlement services. A significant milestone was reached when the rand was, in principle, approved as part of the Continuous Linked Settlement (CLS) system. The inclusion of the rand in the CLS will enhance foreign exchange settlement practices and reduce foreign exchange settlement risk. It will also position the rand as one of the top 15 settlement currencies in the world and add to the strategic importance of the currency. Final ratification of the rand's inclusion is expected in the latter half of 2004.

In order to provide for the inclusion of the rand in the CLS, the National Payment System Department, together with the Legal Services Department, drafted the NPS Amendment bill. Aside from providing for the inclusion of the rand in the CLS, the bill will also strengthen the National Payment System Department's oversight function and broaden access to the payment system. The National Payment System Department initiated a national consultation process to inform all stakeholders about the proposed changes prior to the bill being promulgated during the latter part of 2004.

The efficiency and effectiveness of the national payment system are essential for the health of the economy. During the financial year processes were put in place to enhance the supervision of liquidity risks and prudential requirements in the payment system. The SAMOS system was enhanced to include intra-day liquidity monitoring and control of participating banks' required liquid assets and reserve-account holdings.

A revised SAMOS Cost Recovery Model was implemented during the first quarter of the 2003/04 financial year. This should enable full recovery of the SAMOS processing cost to be realised by the end of the 2003/04 financial year.

Cost containment

The Bank's focus on cost containment has resulted in a greater sensitivity and change in mindset towards costs at all staff levels. The duplication of functions was addressed by consolidating some departments, like the Money and Capital Markets Department and the International Banking Department into the Financial Markets Department. Some departments were restructured in order to achieve greater effectiveness and efficiency and superfluous functions have been identified that do not form part of the core business of the Bank. Certain non-performing assets were sold during the period under review and some operational processes have been streamlined.

The early retirement programme also contributed to cost savings. The programme came to an end in September 2003 with a total of 173 staff members, of 50 years old and above, opting to take the voluntary five-year enhanced early retirement incentive package.

Effective and efficient staff policy framework

In the financial year under review a working group reviewed the Bank's Staff Manual and staff-related policies. The working group focused on cost containment, employment equity, removing anomalies, and ensuring consistency across policies and aligning policies with best practice by benchmarking them against the South African market.

In the course of the year the working group reviewed 41 staff policies and a number of new policies were drafted. These policies are in the process of being considered by the Bank's consultative and governing structures.

General security in the Bank

The security of the Bank and its personnel remains a paramount concern following 11 September 2001. The Bank continued to revise its Business Continuity Management (BCM) plan and develop it into an integrated Bank-wide plan. Workshops to initiate and enable the development of Business Continuity Plans (BCPs) were conducted in each of the Bank's business areas. The plans will be evaluated and tested by the end of 2004.

The next phase of the process will include the comprehensive testing and establishment of a BCM hot-site. The Bank has approved the establishment of a dedicated facility to serve as a hot-site for the information and communications technology infrastructure, as well as for the permanent relocation of critical business operations in the event of a disaster.

Potential security risks in the strategic and operational environment that may impact on the security of the Bank are monitored continuously. The Security Information Management System, which is scheduled for implementation in mid-2004, will ensure real-time situational awareness for security practitioners across the Bank's facilities.

Vulnerability assessments were completed at all the Bank's branches during the year under review in order to evaluate the capabilities of the existing countermeasures and to identify weaknesses. In order to ensure the protection of the Bank's information, data and intellectual property, an Information Security Discipline Co-ordinating Working Committee was established. As part of this process an Information Classification Policy has been developed.

Given the Bank's position as an institution of excellence, its reputation is exposed to possible harm from criminal elements. Advance fee fraud scams in which senior Bank staff are impersonated have increased. Steps are being taken to investigate and eradicate these incidents. Fraudulent websites, purporting to be official websites of the Bank, are also of concern.

Acceptability and credibility of the Bank as an institution

As an important institution in South African society, the Bank has a duty to protect its reputation and image. The Bank engages regularly with a wide variety of sectors of the South African population including economists, analysts, academics, business people, trade unions and government representatives. The Bank also holds a number of functions in order to explain its actions to the public at large, including press conferences and discussion forums.

Conclusion

The Bank achieved a number of milestones during the 2003/04 financial year. Inflation was brought down to within the target range, enabling interest rates to be reduced substantially. As a result, the pace of growth in the economy has quickened. A burden was removed with the closing of the negative net open foreign exchange position and the squaring off of the oversold forward book. This has placed the Bank in the favourable position where it can focus on improving the level of its foreign reserves. A significant milestone was achieved when the rand was, in principle, approved as part of the CLS system. This paves the way for reduced foreign exchange settlement risk in the future.

Important steps were taken in strengthening the supervision function of the Bank, ensuring the stability of the financial system and the integrity of the national payment system. Enhanced security features on the current banknotes will provide a boost to public confidence in the currency of South Africa. Such confidence must also be buoyed by the knowledge that the Bank continues to play a vital role on the continent and on international forums in order to keep its operations and activities in line with international best practice.

Executive management, secretary and directors

Executive management as at 31 March 2004

Governor: Executive management, human resources and South African Reserve Bank College	T T Mboweni
Deputy Governor: Bank supervision, exchange control, financial services and financial stability	G Marcus
Deputy Governor: Corporate services, currency management and protection services, national payment system and research	X P Guma
Deputy Governor: Business systems and technology, financial markets, internal audit and legal services	I Plenderleith
Secretary of the Bank	Z R Matsau

Directors

Tito Titus Mboweni *
Governor

Gill Marcus
Xolile Pallo Guma
Ian Plenderleith °
Deputy governors

Mahavishnu Padayachee *°
Representing: Government

Deenadayalen Konar †
Fatima Jakoet°
(Term of office expires on 25 August 2004 and available for re-election)
Zodwa Penelope Manase °
Stephen Mitford Goodson
Representing: Commerce or Finance

Jacob Wouter Raath *
(Term of office expires on 25 August 2004 and available for re-election)
Representing: Agriculture

Audrey Matshidiso Mokgabudi x
(Term of office expires on 25 August 2004 and available for re-election)
Noluthando Dorian Orleyn *
Representing: Industry

† Chairperson of the Audit Committee
x Chairperson of the Remuneration Committee
° Member of the Audit Committee
* Member of the Remuneration Committee

Senior management as at 31 March 2004

Chief economist	E J van der Merwe
Adviser to the Governor	L van Zyl
Head: Currency and protection services	A Ismail
Head: Financial markets	A D Mminele
Head: Exchange control	A M Bruce-Brand
Head: Research	M Mnyande
Registrar and Head: Bank supervision	E M Kruger
Head: Financial stability	A Bezuidenhout
Head: Business systems and technology	J van Heerden
Head: National payment system	D C Mitchell
Head: Financial services	G J Terblanche
Head: Legal services	J J de Jager
Head: Internal audit	H P Badenhorst
Head: Human resources	M S Motsepe
Head: Corporate services	Z S Gumede
Principal: South African Reserve Bank College	G R Wesso

Senior branch managers as at 31 March 2004

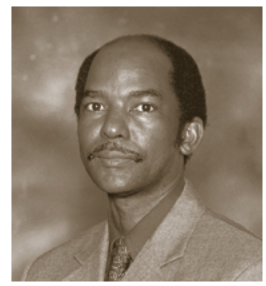
Bloemfontein	I Oberholster *
Cape Town	T Chamberlain
Durban	A C Botha
East London	A G Dent
Johannesburg	H T Gape
Port Elizabeth	N I Mugumo
Pretoria North	M Mogapi

* Until 30 September 2003 as a permanent employee and from 1 October 2003 on a contract basis.

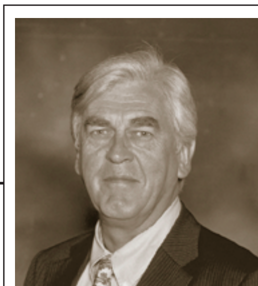
Organisational structure

Governor
T T Mboweni

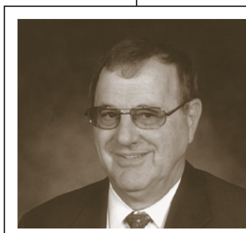
Deputy Governor
G Marcus



Deputy Governor
Dr X P Guma



Deputy Governor
I Plenderleith



Chief Economist
Dr E J van der Merwe

Head
Exchange control
A M Bruce-Brand

Registrar and Head
Bank supervision
E M Kruger

Head
Financial stability
A Bezuidenhout

Head
Financial services
G J Terblanche

Head
Currency and protection services
A Ismail

Head
Research
Dr M Mnyande

Head
National payment system
D C Mitchell

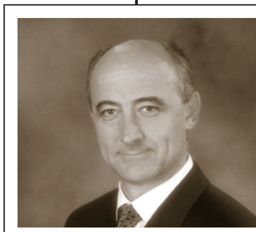
Head
Corporate services
Z S Gumede

Head
Financial markets
A D Mminele

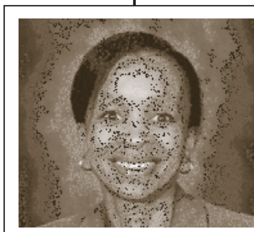
Head
Business systems and technology
J van Heerden

Head
Legal services
Dr J J de Jager

Head
Internal audit
H P Badenhorst



Adviser
L van Zyl



General Manager
Human resources
S M Motsepe

Principal
SA Reserve Bank College
Dr G Wesso

Personnel report

At the beginning of the 2003/04 financial year, the Bank had a total permanent staff complement of 2 274, which was reduced to a total of 2 073 by the end of the year. The reduction of 201 in staff numbers resulted from a combination of a moratorium on the appointment of new staff, a once-off voluntary enhanced early retirement programme for employees 50 years of age and older and normal attrition.

The overall staff turnover for the period was 4,8 per cent (excluding the effect of the enhanced early retirement programme) and 10,13 per cent (including the effect of the enhanced early retirement programme).

The Bank improved its equity representation, most notably at the management broad bands with the following percentage increases: General management (7 per cent), senior professional and management (2 per cent) and professional and vocational management (2 per cent). This is indicated in Table 1 below.

Table 1: Breakdown per broad band: Employment equity representation
Per cent

Broad band	Actual 31-03-03	Actual 31-03-04	2005 Bank target
General Management (GM)	38	45	50
Senior Professional and Management (SPM)	36	38	50
Professional and Vocational Management (PVM)	32	33	50
Junior Professional and Supervisory (JPS)	48	49	50
Trainee Professional and Clerical (TPC)	55	58	50
General Worker (GW)	87	89	50
Total	**52**	**54**	**50**

The higher percentage increase at the general management broadband was a result of departments' restructuring and the subsequent appointments made especially in the Financial Markets and Research Departments.

The Bank has also made improvements with regard to the gender representation in the respective broad bands. Improvement in gender representation will still remain a focus area in the new financial year as the Bank embarks on disability equity (DE) management.

Table 2: Breakdown per broad band: Gender representation
Per cent

Broad band	Actual 31-03-03	Actual 31-03-04	2005 Bank target
General Management	17	20	33
Senior Professional and Management	28	24	33
Professional and Vocational Management	34	36	33
Junior Professional and Supervisory	57	61	33
Trainee Professional and Clerical	51	50	33
General Worker	30	31	33
Total	**44**	**45**	**33**

Table 3: Workforce profile by gender and race at 31 March 2004

Number

Broad band	Male				Female				
	African	Coloured	Indian	White	African	Coloured	Indian	White	Total
General Management	23	2	4	45	11	1	1	6	93
Senior Professional and Management	21	7	8	69	11	4	2	16	138
Professional and Vocational Management	48	10	10	142	27	5	9	76	327
Junior Professional and Supervisory	82	9	13	62	73	22	12	155	428
Trainee Professional and Clerical	216	51	20	148	129	63	28	216	871
General Worker	118	10	2	19	52	9		6	216
Total permanent	**508**	**89**	**57**	**485**	**303**	**104**	**52**	**475**	**2 073**
Non-permanent	2			20	4			5	31
Total	**510**	**89**	**57**	**505**	**307**	**104**	**52**	**480**	**2 104**

Table 4: Staff complement at 31 March 2004

Number

Department	Permanent staff	Contract workers	Total
Executive management (excluding governors)	34	1	35
Bank supervision	85	5	90
Business systems and technology	164	1	165
Corporate services	218	1	219
Currency and protection services (including branches)	905	2	907
Exchange control	154	7	161
Financial markets	97	1	98
Financial services	69	-	69
Financial stability	14	-	14
Human resources	55	-	55
Internal audit	44	-	44
Legal services	31	-	31
National payment system	20	1	21
Research	144	2	146
SARB College (including cadets)	11	10	21
Secondment to subsidiaries	1	-	1
Total staff complement	**2 046**	**31**	**2 077**
Staff members receiving disability benefits	27		27
Total	**2 073**	**31**	**2 104**

Corporate social responsibility report

Donations

In terms of the current policy, the main aims of the Donations Policy are to meet the Bank's corporate social responsibility towards society by providing donations to registered universities and technikons. In addition, the Bank used to provide a nominal contribution to registered welfare organisations caring for the needy. The latter is no longer being funded as the Bank has revised its focus and policy. The main principle of the revised donations policy is to create a more targeted policy which allows for improved evaluation, more efficient controls and the opportunity to make a greater impact. In doing this the Bank wants to adopt a proactive approach with a few major projects whilst retaining a "general" fund for responding to other projects. A more focused approach for the Bank entails the identification and development of economists for the country as a whole. In this respect, its intention is to donate funds to be used for bursaries to specific institutions in the economic faculties. This way the Bank will be able to monitor the impact of the donations.

In terms of the social responsibility of the Bank with regards to non-financial support, the Bank has now included in the policy the donation of redundant computers and equipment. The donation of redundant computers and equipment expresses the South African Reserve Bank's social responsibility towards community upliftment. Identification of the recipients is guided by the donations policy of the Bank, the need for community upliftment, the contribution of recipients to building their communities and also the overall contribution to education.

The objectives of the Bank regarding corporate social responsibility are:
- To be a respected, leading corporate citizen by contributing significantly within the budget
- To contribute to social development themes
- To play a significant role in providing support to tertiary students in the Economic Faculty through bursaries
- To build relationships with communities

The internal guidelines used by the Bank when donating equipment are as follows:
- The schools must be primary schools, registered with the Department of Education
- Preference will be given to schools in the rural areas
- Only written applications from the Principal of the school, together with contact details, will be accepted
- The purpose for requesting computers must be stated clearly in the application
- Upgrading of software will be the responsibility of the school
- The school must be able to submit a progress report after the computers have been set up
- The identified school is informed that the Bank will not be responsible for servicing the computers once they are donated
- The recipients will be responsible for collection of the computers
- Distribution of computers is based on the final quantity of serviceable computers which is then divided among the applicants
- Donations to NGOs will be considered provided that it is an organisation that supports community upliftment

Donations during 2004

	Rand
Fundraising: Sponsorship of tables	52 500
Educational projects	206 066
Non-profit organisations	16 598
Donations to tertiary institutions	3 500 000
Total spent	**3 775 164**
Computers donated to schools in 2004	**75**

Financial framework for 2004/05

Introduction

The Bank strives to conduct its financial affairs in accordance with international best practice. It is subject to the South African Reserve Bank Act, No 90 of 1989, and applies South African Statements of Generally Accepted Accounting Practice as far as they are appropriate for a central bank.

Budget for 2004/05

The income of the Bank depends on its activities in the financial markets, which are guided by the policy options chosen by the Bank, given the prevailing market conditions and, particularly, the expected inflation rate. The inherent volatility of these market conditions makes it impracticable for the Bank to budget for income. However, expenditure is closely controlled through a formalised budget process.

Bank expenditure budget

Certain expenditure items, such as adjustments to the provision for post-retirement medical benefits and depreciation of fixed assets, are not included in the figures in the table below, because they are not managed as part of the operational budget process.

Expenditure budget

	Budget 2004/05 R'000	2003/04 outturn R'000	Budget 2003/04 R'000
Personnel costs			
Normal recurring costs	623 654	572 440	593 019
Early retirement packages	2 000	34 246	12 000
Total personnel costs	**625 654**	**606 686**	**605 019**
Operating costs	**248 397**	**192 297**	**268 466**
Cost of new currency	**623 519**	**433 913**	**350 884**

The outturn of 2003/04 recurring personnel and operational costs was significantly below budget. This was mainly as a result of significant restructuring taking place in the Bank emanating from a cost-saving drive and 173 people proceeding on early retirement in terms of a voluntary enhanced early retirement package offered to all staff 50 years of age and older. Certain projects were postponed as a result of these initiatives, and this accounts for a somewhat larger increase in the budget for 2004/05 than would otherwise have been expected.

The cost of new currency exceeded the budgeted amount for 2003/04 because supplementary orders for coin and banknotes had to be placed. Due to higher than anticipated demand, buffer stocks were depleted and replenished. The significant increase in the 2004/05 budget for new currency is a result of the need to build adequate stock levels and the expected cost increase due to enhanced security features to be introduced into banknotes, as well as a large increase in currency in circulation.

Annual Financial Statements

Report of the independent auditors

To the members of the South African Reserve Bank

We have audited the group annual financial statements and the annual financial statements of the South African Reserve Bank set out on pages 40 to 76 for the year ended 31 March 2004. These financial statements are the responsibility of the directors of the Bank. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures included in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion the financial statements and group financial statements fairly present, in all material respects, the financial position of the group and the Bank at 31 March 2004, and of the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the South African Reserve Bank Act, No 90 of 1989, and regulations thereunder.

Deloitte & Touche PricewaterhouseCoopers Inc

SizweNtsaluba VSP Inc

Joint auditors

Registered Accountants and Auditors
Chartered Accountants (SA)

Pretoria
18 June 2004

Directors' report for the year ended 31 March 2004

Introduction

The directors present their annual report of the Bank for the year ended 31 March 2004.

This report, in terms of the South African Reserve Bank Act, No 90 of 1989, addresses the performance of the South African Reserve Bank, its subsidiaries and relevant statutory information requirements.

It is the directors' responsibility to prepare annual financial statements and related financial information that fairly present the state of affairs and the financial results of the group. These financial statements have been prepared on a going concern basis taking cognisance of certain unique aspects relating to the ability of the Bank to create and withdraw domestic currency and its responsibilities in the area of monetary policy and financial stability, as well as its relationship with the government concerning foreign exchange and gold transactions.

In accordance with South African Statements of Generally Accepted Accounting Practice (GAAP) and in the manner required by the South African Reserve Bank Act, No 90 of 1989, as amended, management prepared the annual financial statements set out in this report. The statements include full and responsible disclosure and are based on appropriate accounting policies which have been consistently applied, except where specifically indicated differently, and which are supported by reasonable and prudent judgements and estimates.

In exceptional circumstances, as part of its central banking functions, the Bank may provide emergency assistance to banks experiencing difficulty in order to prevent loss of confidence spreading through the financial system as a whole. Confidence in the banking system can best be sustained if the Bank's support is only disclosed when conditions giving rise to potentially systemic disturbances have improved. Accordingly, the financial statements of the Bank may not explicitly identify such support.

The financial statements have been audited by independent auditors, who were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the Board, committees of the Board and management meetings.

The requirements of the King Report on Corporate Governance are dealt with in the corporate governance statement which appears on pages 4 to 7.

Nature of business

The South African Reserve Bank is the central bank of the Republic of South Africa and is regulated in terms of an Act of Parliament. The primary objective of the South African Reserve Bank is the achievement and maintenance of financial stability. In pursuance of its primary objective, the Bank assumes responsibility for the functions as set out in its mission statement on pages 10 and 11.

The subsidiaries of the Bank are involved in the following activities:
- Corporation for Public Deposits receives call deposits from public entities;
- South African Bank Note Company (Proprietary) Limited produces banknotes;

- South African Mint Company (Proprietary) Limited produces coin; and
- South African Reserve Bank Captive Insurance Company Limited is a captive insurance company, which manages certain insurable risks of the Bank and its subsidiaries.

Achievement of objectives

The Bank's achievements in respect of its objectives, including the achievement of its main objective, namely the maintenance of financial stability, will be addressed by the Governor at the ordinary general meeting of shareholders to be held on 24 August 2004. The *Govenor's Address* receives extensive media coverage and is made available to shareholders and other interested parties.

The Bank's achievement of its objectives is more fully explained in the Governor's foreword on page 1.

Financial results

The income statements appear on page 46.

All remaining profits of the Bank, after provisions normally provided for by bankers and payment of dividends, are paid to the government in terms of the South African Reserve Bank Act, No 90 of 1989. Amounts paid and due in terms of the Act over the past two years were as follows:

	Group R'000	Bank R'000
31 March 2004	109 291	70 574
31 March 2003	197 895	169 017

Dividends

The final dividend of 5 cents per share for the 2003 financial year was paid on 9 May 2003 and an interim dividend of 5 cents per share for the 2004 financial year was paid to shareholders on 31 October 2003.

Special resolution: Eighty-third annual general meeting

The special resolution proposed by Mr S M Goodson to amend the wording of section 24(e) of the South African Reserve Bank Act in order to lawfully provide for one-tenth of the profits of the Bank to be utilised annually for purposes of paying dividends to its shareholders was put to the vote by means of a poll at the eighty-third annual general meeting of shareholders held on 26 August 2003 and was carried.

The Board did not support the motion and the Chairperson declared that the Board would bring the resolution to the attention of the Minister of Finance for his consideration, as the Bank cannot amend its own legislation. The proposed amendment is not supported by the Minister of Finance.

Property, plant and equipment

The building extension project of the Bank at its head office building to cater for expanded needs, was completed during the year at a total cost of R270 million.

Directors

The composition of the Board of Directors is set out on pages 2 and 3.

Mr B P Gilbertson, whose term of office as a shareholders' representative expired on 27 August 2003, was not re-elected. Mr S M Goodson was elected as a shareholders' representative on 27 August 2003.

The terms of office of Mr J W Raath, Ms F Jakoet and Ms A M Mokgabudi as shareholders' representatives expire on 25 August 2004. All are eligible and offer themselves for re-election.

Prof M Padayachee, whose term of office as a government representative had expired on 28 August 2002, was re-appointed by Government.

There are currently two vacancies for representatives of Government.

Direct and indirect shareholding of directors on 31 March 2004

	2004	2003
Direct shareholding	**26 432**	500
Indirect shareholding	**0**	0
	26 432	500

During the period 1 April 2003 to 31 March 2004, members of the Board held the following shares in the Bank:

Mr S M Goodson	10 000
Mr J W Raath	300
Dr D Konar	200
Mr T T Mboweni	10 000
Dr X P Guma	5 932
	26 432

Contracts

There were no contracts entered into during the year in which directors or officers of the Bank had interests and that significantly affected the affairs or business of the Bank or any of its subsidiaries.

Post balance sheet events

An amount of R7 billion was received on 1 April 2004 from the South African Government in the form of South African Government bonds as part payment in respect of the outstanding balance on the Gold and Foreign Exchange Contingency Reserve Account.

Subsidiaries

The following information relates to the Bank's financial interest in its subsidiaries:

	Authorised and issued share capital					
	Number of shares	Percentage held	Shares at cost		Indebtedness to/(by) Reserve Bank	
	'000	Per cent	**2004 R'000**	2003 R'000	**2004 R'000**	2003 R'000
Corporation for Public Deposits	2 000	100	**2 000**	2 000	**70 694**	(63)
South African Mint Company (Proprietary) Limited	60 000	100	**206 000**	206 000	**0**	0
South African Bank Note Company (Proprietary) Limited	61 000	100	**61 000**	61 000	**13 675**	13 674
South African Reserve Bank Captive Insurance Company Limited	10 000	100	**10 000**	10 000	**(1)**	**(1)**
Total			**279 000**	279 000	**84 368**	13 610

The Bank's interest in the aggregate attributable net profits and losses in subsidiaries, is as follows:

	Bank	
	2004 R million	2003 R million
Aggregate profits	**124**	48
Aggregate losses	**0**	3

Secretary

Ms Z R Matsau

Business address:
370 Church Street
Pretoria
0002

Postal address:
PO Box 427
Pretoria
0001

The financial statements were approved by the Board of Directors on 18 June 2004 and signed on its behalf by:

T T Mboweni
Governor

I Plenderleith
Deputy Governor

N D Orleyn
Director

D Konar
Director

G J Terblanche
Chief Financial Officer

In my capacity as Secretary of the Bank, I certify that all the returns required to be submitted in terms of the South African Reserve Bank Act, No 90 of 1989, for the year ended 31 March 2004, have been correctly completed and are up to date.

Z R Matsau
Secretary

Pretoria
18 June 2004

Balance sheets at 31 March 2004

	Notes	Group 2004 R'000	Group 2003 R'000	Bank 2004 R'000	Bank 2003 R'000
Assets					
Non-current assets		**22 544 514**	42 991 376	**17 073 139**	38 935 586
Property, plant and equipment	2	**707 768**	720 836	**522 099**	574 543
Investment in subsidiaries	3	**0**	0	**363 368**	292 610
Loans and advances	4	**0**	70 235	**0**	70 235
Investments	5	**5 647 710**	4 196 036	**0**	0
Amounts due by the South African Government	6	**15 985 384**	37 885 542	**15 985 384**	37 885 542
Deferred taxation asset	16	**203 652**	118 727	**202 288**	112 656
Current assets		**91 257 257**	90 716 890	**91 107 215**	90 432 243
Gold and foreign exchange	7	**62 241 083**	61 130 041	**62 241 083**	61 130 041
Accommodation to banks	8	**12 750 000**	12 478 118	**12 750 000**	12 478 118
South African Government bonds	9	**8 670 912**	10 521 119	**8 670 912**	10 521 119
Debtors and other accounts	10	**1 188 709**	6 168 994	**1 172 508**	6 135 230
Inventories	11	**126 948**	170 811	**0**	0
Cash and cash equivalents	12	**5 991**	79 765	**0**	0
Current taxation prepaid		**193 426**	168 042	**192 524**	167 735
Forward exchange contract assets	13	**6 080 188**	0	**6 080 188**	0
Total assets		**113 801 771**	133 708 266	**108 180 354**	129 367 829
Liabilities and equity					
Non-current liabilities		**66 921 648**	56 545 158	**66 888 521**	56 540 367
Notes and coin issued	14	**43 115 905**	36 886 285	**43 115 905**	36 886 285
Foreign loans	15	**23 772 616**	19 654 082	**23 772 616**	19 654 082
Deferred taxation liability	16	**33 127**	4 791	**0**	0
Current liabilities		**41 636 791**	72 206 904	**36 608 978**	68 274 187
Reserve Bank debentures	17	**6 300 000**	7 900 000	**6 300 000**	7 900 000
Deposit accounts	18	**31 676 013**	63 415 745	**26 791 442**	59 575 037
Current taxation liabilities		**12**	10 874	**0**	6 050
Creditors and other accounts	19	**240 913**	466 692	**145 514**	415 382
Employment benefit liabilities and other provisions	20	**509 314**	413 593	**461 483**	377 718
Forward exchange contract liabilities	13	**2 910 539**	0	**2 910 539**	0
Total liabilities		**108 558 439**	128 752 062	**103 497 499**	124 814 554
Shareholders' equity					
Share capital	21	**2 000**	2 000	**2 000**	2 000
Accumulated profit		**161 729**	56 684	**0**	0
Statutory reserve fund		**362 346**	354 504	**362 346**	354 504
Contingency reserve		**3 746 246**	3 441 208	**3 666 285**	3 361 285
Bond revaluation reserve		**652 224**	835 486	**652 224**	835 486
Plant replacement reserve		**318 787**	266 322	**0**	0
Total equity		**5 243 332**	4 956 204	**4 682 855**	4 553 275
Total liabilities and equity		**113 801 771**	133 708 266	**108 180 354**	129 367 829

Income statements for the year ended 31 March 2004

		Group		Bank	
	Notes	2004 R'000	2003 R'000	2004 R'000	2003 R'000
Interest income		**3 832 968**	5 381 112	**3 456 074**	4 941 495
Interest expense		**2 642 748**	3 968 425	**2 344 563**	3 588 869
Net interest income		**1 190 220**	1 412 687	**1 111 511**	1 352 626
Other income	22.1	**1 137 146**	1 818 806	**1 024 235**	1 754 563
Total income		**2 327 366**	3 231 493	**2 135 746**	3 107 189
Operating costs	22.2	**1 504 408**	1 315 320	**1 465 821**	1 259 863
Remuneration and recurring staff costs		**664 734**	626 942	**562 933**	533 115
Post-retirement benefits		**142 862**	84 638	**130 030**	75 485
Cost of new currency		**48 614**	332 399	**433 913**	332 399
Other operating costs		**648 198**	271 341	**338 945**	318 864
Profit before taxation	22	**822 958**	1 916 173	**669 925**	1 847 326
Taxation	23	**242 119**	579 617	**213 227**	555 971
Profit after taxation		**580 839**	1 336 556	**456 698**	1 291 355
Dividend per share (cents)	24	**10**	10	**10**	10

Cash flow statements for the year ended 31 March 2004

		Group		Bank	
	Notes	2004 R'000	2003 R'000	2004 R'000	2003 R'000
Cash flows from operating activities					
Cash (utilised by)/ generated from operating activities	25	**(6 506 426)**	1 431 311	**(7 784 537)**	1 290 226
Taxation paid		**(253 801)**	(388 886)	**(223 836)**	(364 181)
Dividends paid		**(200)**	(200)	**(200)**	(200)
Transfer to Government		**(197 895)**	(20 850)	**(169 017)**	(4 756)
Net cash (utilised by)/ from operations		**(6 958 322)**	1 021 375	**(8 177 590)**	921 089
Cash flows from financing activities					
Notes and coin issued		**6 229 620**	2 165 492	**6 229 620**	2 165 492
Cash flow from/(utilised by) investing activities		**654 928**	(3 198 802)	**1 947 970**	(3 086 581)
Purchase of property, plant and equipment		**(160 925)**	(213 530)	**(104 120)**	(201 172)
Disposal of property, plant and equipment		**9 076**	6 389	**8 694**	5 896
(Acquisition)/disposal of investments		**(1 307 377)**	8 339	**0**	0
Government bonds purchased		**(7 000 000)**	(3 000 000)	**(7 000 000)**	(3 000 000)
Disposal/redemption of Government bonds		**9 114 154**	0	**9 114 154**	0
Investment in subsidiaries		**0**	0	**(70 758)**	108 695
Net decrease in cash and cash equivalents		**(73 774)**	(11 935)	**0**	0
Cash and cash equivalents at beginning of the year		**79 765**	91 700	**0**	0
Cash and cash equivalents at end of the year	12	**5 991**	79 765	**0**	0

Due to its role in the creation and withdrawal of money, the Bank has no cash balances on its balance sheet.

Statement of changes in equity: Group

For the year ended 31 March 2004

	Share capital R'000	Accumulated profit R'000	Statutory reserve R'000	Contingency reserve R'000	Bond revaluation reserve R'000	Plant replacement reserve R'000	Total R'000
Balance at 31 March 2002	2 000	53 690	335 724	3 173 644	0	252 685	3 817 743
Profit after taxation	0	1 336 556	0	0	0	0	1 336 556
Transfer to Government	0	(197 895)	0	0	0	0	(197 895)
Transfer to reserves	0	(1 135 467)	18 780	399 692	703 358	13 637	0
Inter-reserve transfer	0	0	0	(132 128)	132 128	0	0
Dividends paid	0	(200)	0	0	0	0	(200)
Balance at 31 March 2003	2 000	56 684	354 504	3 441 208	835 486	266 322	4 956 204
Adjustments due to implementing AC133	0	(15 230)	0	0	(86 672)	14 272	(87 630)
Adjusted balances at 31 March 2003	2 000	41 454	354 504	3 441 208	748 814	280 594	4 868 574
Profit after taxation	0	580 839	0	0	0	0	580 839
Transfer to Government	0	(109 291)	0	0	0	0	(109 291)
Transfer to reserves	0	(351 073)	7 842	305 038	0	38 193	0
Realised gains on "available-for-sale" financial assets					(281 353)		(281 353)
Gross realised gains					(401 933)		(401 933)
Tax on realised gains					120 580		120 580
Fair value adjustments on "available-for-sale" financial assets					184 763		184 763
Gross adjustments					263 947		263 947
Tax on fair value adjustments					(79 184)		(79 184)
Dividends paid	0	(200)	0	0	0	0	(200)
Balance at 31 March 2004	**2 000**	**161 729**	**362 346**	**3 746 246**	**652 224**	**318 787**	**5 243 332**

Explanatory notes

Statutory reserve
The statutory reserve fund is maintained in terms of section 24 of the South African Reserve Bank Act, No 90 of 1989, which stipulates that one-tenth of the surplus of the Bank, after provisions normally provided for by bankers and payment of dividends, has to be credited to the statutory reserve fund.

Contingency reserve
Contingency reserves are maintained to provide against risks to which the Bank, the Corporation for Public Deposits and the South African Reserve Bank Captive Insurance Company Limited are exposed.

Bond revaluation reserve
Gains and losses arising from a change in fair value of available-for-sale financial assets are recognised directly in equity. When these financial assets are sold, collected or otherwise disposed of, the cumulative gain or loss recognised in equity is transferred to the income statement.

Plant replacement reserve
A plant replacement reserve is maintained by the South African Bank Note Company (Proprietary) Limited to contribute towards the periodic replacement of plant.

Transfer to Government
In terms of section 24 of the South African Reserve Bank Act, No 90 of 1989, nine-tenths of the surplus of the Bank, remaining after provisions normally provided for by bankers and payment of dividends, is to be paid to Government. In terms of section 15 of the Corporation for Public Deposits Act, No 46 of 1984, the balance of net profits after transfers to reserves and payment of dividends is to be paid to Government.

Statement of changes in equity: Bank

For the year ended 31 March 2004

	Share capital R'000	Accumulated profit R'000	Statutory reserve R'000	Contingency reserve R'000	Bond revaluation reserve R'000	Total R'000
Balances at 31 March 2002	2 000	0	335 724	3 093 413	0	3 431 137
Profit after taxation	0	1 291 355	0	0	0	1 291 355
Transfer to Government	0	(169 017)	0	0	0	(169 017)
Transfer from reserves	0	(1 122 138)	18 780	400 000	703 358	0
Inter-reserve transfer	0	0	0	(132 128)	132 128	0
Dividends paid	0	(200)	0	0	0	(200)
Balance at 31 March 2003	2 000	0	354 504	3 361 285	835 486	4 553 275
Adjustments due to implementing AC133	0	(73 082)	0	0	(86 672)	(159 754)
Adjusted balances at 31 March 2003	2 000	(73 082)	354 504	3 361 285	748 814	4 393 521
Profit after taxation	0	456 698	0	0	0	456 698
Transfer to Government	0	(70 574)	0	0	0	(70 574)
Transfer to reserves	0	(312 842)	7 842	305 000	0	0
Realised gains on "available-for-sale" financial assets	0	0	0	0	(281 353)	(281 353)
Gross realised gains					(401 933)	(401 933)
Taxation on realised gains					120 580	120 580
Fair value adjustments on "available-for-sale" financial assets					184 763	184 763
Gross adjustments					263 947	263 947
Taxation on fair value adjustments					(79 184)	(79 184)
Dividends paid	0	(200)	0	0	0	(200)
Balances at 31 March 2004	**2 000**	**0**	**362 346**	**3 666 285**	**652 224**	**4 682 855**

Explanatory notes

Statutory reserve
The statutory reserve fund is maintained in terms of section 24 of the South African Reserve Bank Act, No 90 of 1989, which stipulates that one-tenth of the surplus of the Bank, after provisions normally provided for by bankers and payment of dividends, has to be credited to the statutory reserve fund.

Contingency reserve
Contingency reserves are maintained to provide against risks to which the Bank is exposed.

Bond revaluation reserve
Gains and losses arising from a change in fair value of available-for-sale financial assets are recognised directly in equity. When these financial assets are sold, collected or otherwise disposed of, the cumulative gain or loss recognised in equity is transferred to the income statement.

Transfer to Government
In terms of section 24 of the South African Reserve Bank Act, No 90 of 1989, nine-tenths of the surplus of the Bank, remaining after provisions normally provided for by bankers and payment of dividends, is to be paid to Government.

Notes to the financial statements

1. Accounting Policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. The accounting policies are consistent with those adopted in the previous year, except for changes made as a result of the adoption of the new accounting statement AC133 “Financial instruments: Recognition and measurement”.

1.1 Basis of presentation

These consolidated annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice, except that gold has been valued at its statutory price in terms of section 25 of the South African Reserve Bank Act, No 90 of 1989. The consolidated financial statements are prepared in accordance with the going concern principle under the historical cost basis, except as discussed below.

The impact on the opening balances of the group following the adoption of AC133 is detailed in Note 35 on page 76. AC133 has been adopted prospectively in accordance with the requirements of this standard and therefore the comparative financial information has not been restated but a reclassification of balance sheet comparatives has occurred where required.

1.2 Consolidation

The consolidated financial statements incorporate the financial statements of the Bank and its subsidiaries. The results of the subsidiaries are included from the effective dates on which control is transferred to the Bank until the effective dates of disposal. Control is achieved where the Bank has the power to govern the financial and operational policies of an investee enterprise so as to obtain benefits from its activities. All inter-company balances, transactions and unrealised profits and losses on transactions between Group companies have been eliminated.

Investments in subsidiaries

The Bank uses the purchase method as the basis for recording the acquisition. Investments in subsidiaries are stated at cost less provision for losses where appropriate. No goodwill has arisen from the purchase of the subsidiaries.

1.3 Adoption of AC133

The Bank adopted AC133 on 1 April 2003. The statement introduces fair value accounting to certain classes of financial assets and liabilities such as certain advances, derivative instruments and investments in debt and equity securities. The statement is not applicable to assets such as fixed assets or investments in subsidiaries and associated companies. Depending on the asset classification used, fair value changes are reflected in income and expenditure or directly in equity. There are four primary asset categories:

- originated assets, which are carried at amortised cost;
- held-to-maturity assets, which are carried at amortised cost;
- held-for-trading assets, which are measured at fair value with changes in fair value recorded in the income statement; and

- available-for-sale assets, which are carried at fair value with unrealised fair value changes deferred in equity until realisation or permanent impairment.

AC133 also allows for the designation of any financial instrument as "held-for-trading", irrespective of the described categories above, with fair value changes on such assets reflected in the income statement. The Bank is required to designate financial instruments into these categories on initial recognition, and the designation is final, thereby effectively determining the future accounting treatment of the instrument on either an amortised-cost or fair-value basis.

1.4 Financial instruments

Classification

Financial instruments as reflected on the balance sheet include all financial assets and financial liabilities, including derivative instruments, but exclude investments in subsidiaries, employee benefit plans, property, plant and equipment, deferred taxation, taxation payable, intangible assets and goodwill. Management determines the appropriate classification at initial recognition of the financial instrument. Financial instruments of the Bank are classified as follows:

Financial assets

Originated loans and receivables

The Bank has classified the following financial assets as loans and receivables originated by the entity:
- Loans and advances;
- call accounts and deposits;
- amounts due by the South African Government;
- foreign deposits;
- accommodation to banks;
- trade and other debtors; and
- cash and cash equivalents.

Held-for-trading

The Bank has classified derivatives with positive fair values as financial assets held-for-trading. The following items have been designated as held-for-trading by the Bank:
- Foreign money-market instruments;
- local and foreign portfolio investments; and
- other investments by subsidiaries (refer to Note 5).

Held-to-maturity

The Bank did not classify any financial assets as held-to-maturity.

Available-for-sale

The Bank classified South African Government bonds as available-for-sale financial assets.

Financial liabilities

Held-for-trading financial liabilities

The Bank has classified derivatives with negative fair values as liabilities held-for-trading.

Other financial liabilities

The Bank has classified the following financial liabilities as “other financial liabilities”:
- Notes and coin issued;
- foreign loans;
- Reserve Bank debentures;
- deposit accounts; and
- creditors.

Embedded derivatives

Embedded derivatives included in hybrid instruments are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value. Embedded derivatives are treated as held-for-trading financial instruments and the host contracts are accounted for by applying the rules of the relevant category of that financial instrument.

Recognition

The Bank recognises financial instruments held-for-trading and available-for-sale financial assets on the date it becomes party to the contractual provisions to purchase the assets and applies trade date accounting for “regular way” purchases and sales. From this date any gains or losses arising from changes in fair value of the assets are recognised. Held-to-maturity loans, originated loans, and receivables and other financial liabilities are recognised on the day they are transferred to the Bank or the day the funds are advanced.

Measurement

Initial measurement

Financial instruments are measured initially at cost, including transaction costs.

Subsequent measurement

Held-for-trading and available-for-sale financial assets

Held-for-trading and available-for-sale financial assets are carried at fair value. Fair values are established as follows:

- Derivatives

  A derivative is a financial instrument of which the value 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.

- Foreign marketable money-market investments

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

- Local and foreign portfolio investments

  The fair values of portfolio investments are the quoted fair values as obtained from portfolio managers. The portfolio managers utilise quoted market prices for quoted financial instruments and accepted valuation techniques for unquoted financial instruments in their valuation of fair value.

- South African Government bonds

  Listed bonds are valued using the quoted fair values at year-end as supplied by the Bond Exchange of South Africa. Unlisted bonds with undeterminate maturity dates are valued at cost.

Financial assets held-to-maturity, originated loans and receivables and non-trading liabilities

Financial assets held-to-maturity, originated loans and receivables and non-trading liabilities are measured at amortised cost and are re-measured for impairment losses except as set out below:

- Non-interest bearing deposit accounts (Note 18), the Gold and Foreign Exchange Contingency Reserve Account and the loan to subsidiary are accounted for at cost, as these accounts do not have fixed maturity dates.
- Notes and coin issued are measured at cost as this liability does not have a fixed maturity date.
- Creditors are stated at cost due to the short-term nature thereof.

Amortised cost is calculated on the effective interest rate method based on the relevant interest rate on initial recognition date. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument except as set out below.

Impairment of financial assets

A review for impairment is carried out at each financial year-end. A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount.

Where a financial asset which is held “available-for-sale” is impaired, and an increase in the fair value of the financial asset was previously recognised in equity, the increase in the fair value of the financial asset recognised in equity is reversed to the income statement to the extent that the asset is impaired beyond its original cost.

Any additional impairment loss is recognised in the income statement. If in a subsequent period the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event after the write-down, the write-down is reversed through the income statement.

Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of available-for-sale assets are recognised directly in equity. When the financial assets are sold, collected or otherwise disposed of, the cumulative gain or loss recognised in equity is transferred to the income statement of the period in which they arise.

Gains and losses arising from a change in the fair value of trading instruments are recognised in the income statement of the period in which they arise.

Gains and losses on amortisation of premiums or discounts of financial instruments carried at amortised cost are recognised in the income statement of the period in which they arise.

Gains and losses due to impairment are recognised as stated in the paragraph dealing with impairment.

Hedge accounting

The Bank did not apply hedge accounting on any transactions for the year under review.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported on the balance sheet where there is a legally enforceable right to set off the recognised amount and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.5 Foreign currency activities

Transactions in foreign currencies are recorded at the rates of exchange ruling at the transaction date. Monetary assets and liabilities as well as non-monetary assets and liabilities at fair value, denominated in foreign currencies, are translated at the rates of exchange ruling at the balance sheet date. The appropriate quoted bid price is used for the translation of assets held or liabilities to be issued. For assets to be acquired or liabilities held, the current offer price is used. When the Bank has matching asset and liability positions, mid-market rates are used for translation purposes.

Gains and losses of the subsidiaries arising on translation are recognised in the income statement. Foreign exchange profits and losses of the Bank are for the account of Government and consequently all these profits and losses are transferred to the Gold and Foreign Exchange Contingency Reserve Account.

1.6 Property, plant and equipment, and depreciation

Freehold land is carried at cost less accumulated impairment losses. Other items of property (both owner-occupied and investment properties) and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided on the straight-line basis on all items of property and equipment, other than freehold land, over the estimated useful lives of these assets.

The relevant estimated useful lives of items of property and equipment are as follows:

- Land	not depreciated
- Freehold buildings	50 years
- Plant, vehicles, furniture and equipment	2 – 25 years.

National key points and information technology expenditure is expensed as incurred. Subsequent expenditure relating to an item of property and equipment is capitalised when it is probable that future economic benefits from the use of the asset will be increased beyond its original assessed standard of performance. All other subsequent expenditure is recognised as an expense in the period in which it is incurred. Surpluses or deficits on the disposal of property and equipment are recognised in the income statement. The surplus or deficit is the difference between the net disposal proceeds and the carrying amount of the asset.

1.7 Impairment of other assets

The carrying amount of the group's assets other than financial assets is reviewed at each balance sheet to determine whether there is any indication of impairment, in which case their recoverable amounts are estimated.

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

1.8 Gold

Gold is held by the Bank as part of its foreign reserves. Gold is initially recorded at the prevailing rates at recognition date, including transaction costs. Subsequent to initial measurement it is measured as follows:

- Physical gold held by the Bank is valued at the statutory price. The statutory price is calculated as 90 per cent of the average price of the last 10 London gold price fixings. Gold loans are measured at the quoted spot rate at year-end.

- Physical gold held by the subsidiaries is measured at a quoted spot price as at year-end.

All gains and losses on gold achieved by the Bank are for the account of the South African Government and consequently all these profits and losses are transferred to the Gold and Foreign Exchange Contingency Reserve Account. Those of the subsidiaries are charged to the income statement of the period in which they arise.

1.9 Taxation

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 at the balance sheet date, and by any adjustment of taxation payable for previous years.

Deferred taxation is provided using the balance sheet liability method, based on temporary differences. Temporary differences are differences between the carrying amount of assets and liabilities for financial reporting purposes and their taxation base. 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 rates enacted at the balance sheet date. Deferred taxation is charged to the income statements except to the extent that it relates to a transaction that is recognised directly in equity. The effect on deferred taxation of any changes in taxation rates is recognised in the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

A deferred taxation asset is recognised to the extent that it is probable that future taxable profit will be available, against which the unutilised taxation losses and deductible temporary differences can be used. Deferred taxation assets are reduced to the extent that it is no longer probable that the related taxation benefits will be realised.

1.10 Pension and retirement funds

The expected costs of post-retirement benefits under the defined benefit and defined contribution schemes are charged to income over the expected service lives of the employees entitled to these benefits according to the projected unit benefit method. Costs are actuarially assessed and expense adjustments and past-service costs resulting from plan amendments are amortised over the expected average remaining service lives of the employees.

1.11 Post-retirement medical benefits

The Bank provides for post-retirement medical benefits in the form of a medical aid scheme for eligible employees and pensioners. The cost of providing benefits is determined using the projected unit credit method. The liability for the Bank's contributions to the scheme is, in respect of current and future pensioners, provided for by means of an on-balance-sheet liability. The magnitude of the liability is based on an actuarial valuation. Actuarial gains or losses on the post-retirement medical benefits are accounted for in the year in which they arise.

1.12 Sale and repurchase agreements

The Bank has entered into repurchase agreements as part of its monetary policy activities. Securities purchased under agreements to resell are recorded under the heading "Accommodation to Banks" as originated loans and receivables. Securities sold under agreement to repurchase are disclosed as "Reverse repurchase agreements" under "Deposits received" under "Current liabilities".

The underlying securities purchased under repurchase agreements are not recorded by the Bank. Likewise, underlying securities sold under repurchase agreements are not de-recognised by the Bank.

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

1.13 Inventories

Inventories stated are those held by the Bank's wholly owned subsidiaries.

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

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

Consumable stores are valued at the weighted average purchase 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, based on normal operating capacity, are included in the cost of manufactured goods.

1.14 Cash flow

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and bank overdrafts of the subsidiaries. As far as the Bank is concerned, no cash and cash equivalents are shown because of the Bank's role as central bank in the creation of money.

1.15 Provisions

Provisions 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.

Provision for leave pay and bonus

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

The provision for leave pay represents the present obligation to employees as a result of employees' services provided to the balance sheet date. The provision is measured as the amount that is expected to be paid as a result of the unused leave entitlement that has accumulated at the balance sheet date.

Provision for post-retirement medical costs

Medical aid premiums are paid for retired staff under certain conditions. The amount provided is determined annually by actuarial calculations as set out in more detail in Note 27.

Provision for retrenchment costs

The provision relates to unfair dismissal claims against the South African Mint Company (Proprietary) Limited. The amount provided is based on the actual amounts claimed.

Provision for professional fees

A provision for professional fees was raised by the South African Mint Company (Proprietary) Limited in respect of certain commitments for legal and actuarial fees.

1.16 Turnover

No amounts are disclosed for turnover in view of the Bank's unique central banking activities.

1.17 Revenue recognition

Interest income and expenses are recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity. Interest income and expense are recognised in the income statement for all interest-bearing instruments on an accrual basis using the effective rate of interest method. Where financial assets have been impaired, interest income continues to be recognised on the impaired value, based on the original effective interest rate. Interest income and expense include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

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

Other revenue arising from the provision of services to clients is recognised on the accrual basis in accordance with the substance of the relevant transaction.

1.18 Operating leases

Operating leases are charged to income in a systematic manner related to the period of use of the assets concerned.

2. Property, plant and equipment

2.1 Group: 2004

	Land R'000	Buildings R'000	Plant, vehicles, furniture and equipment R'000	Work in progress R'000	Total R'000
Cost					
Cost at 31 March 2003	91 437	363 309	1 045 832	170 095	1 670 673
Additions	491	374	78 287	81 774	160 926
Transfers in/(out)	0	132 572	87 828	(220 400)	0
Disposals	(5 384)	(52 633)	(36 427)	(28)	(94 472)
Cost at 31 March 2004	86 544	443 622	1 175 520	31 441	1 737 127
Accumulated depreciation					
Accumulated depreciation at 31 March 2003	0	150 719	799 118	0	949 837
Charge for the year	0	9 726	108 576	0	118 302
Disposals	0	(20 726)	(18 054)	0	(38 780)
Accumulated depreciation at 31 March 2004	0	139 719	889 640	0	1 029 359
Net book value at 31 March 2004	**86 544**	**303 903**	**285 880**	**31 441**	**707 768**
Insurance value of fixed assets (on a "future replacement basis" which takes into account the expected construction times).					**7 182 550**

Group: 2003

	Land R'000	Buildings R'000	Plant, vehicles, furniture and equipment R'000	Work in progress R'000	Total R'000
Cost					
Cost at 31 March 2002	90 138	351 055	955 372	93 490	1 490 055
Additions	1 455	983	64 153	146 939	213 530
Transfers in/(out)	0	19 781	50 553	(70 334)	0
Disposals	(156)	(8 510)	(24 246)	0	(32 912)
Cost at 31 March 2003	91 437	363 309	1 045 832	170 095	1 670 673
Accumulated depreciation					
Accumulated depreciation at 31 March 2002	0	151 381	732 451	0	883 832
Charge for the year	0	7 778	86 778	0	94 556
Disposals	0	(8 440)	(20 111)	0	(28 551)
Accumulated depreciation at 31 March 2003	0	150 719	799 118	0	949 837
Net book value at 31 March 2003	**91 437**	**212 590**	**246 714**	**170 095**	**720 836**

Registers containing details of land and buildings are available for inspection by shareholders at the registered offices of the Bank and its subsidiaries.

2.2 Bank: 2004

	Land R'000	Buildings R'000	Plant, vehicles, furniture and equipment R'000	Work in progress R'000	Total R'000
Cost					
Cost at 31 March 2003	36 476	290 627	616 317	169 051	1 112 471
Additions	470	282	23 861	79 507	104 120
Transfers in/(out)	0	132 572	86 784	(219 356)	0
Disposals	(5 384)	(52 633)	(32 433)	(28)	(90 478)
Cost at 31 March 2004	31 562	370 848	694 529	29 174	1 126 113
Accumulated depreciation					
Accumulated depreciation at 31 March 2003	0	121 398	416 530	0	537 928
Charge for the year	0	7 308	93 807	0	101 115
Disposals	0	(20 726)	(14 303)	0	(35 029)
Accumulated depreciation at 31 March 2004	0	107 980	496 034	0	604 014
Net book value at 31 March 2004	**31 562**	**262 868**	**198 495**	**29 174**	**522 099**
Insurance value of fixed assets (on a "future replacement basis" which takes into account the expected construction times).					**3 394 357**

Bank: 2003

	Land R'000	Buildings R'000	Plant, vehicles, furniture and equipment R'000	Work in progress R'000	Total R'000
Cost					
Cost at 31 March 2002	36 632	278 795	535 034	91 005	941 466
Additions	0	561	53 672	146 939	201 172
Transfers in/(out)	0	19 781	49 112	(68 893)	0
Disposals	(156)	(8 510)	(21 501)	0	(30 167)
Cost at 31 March 2003	36 476	290 627	616 317	169 051	1 112 471
Accumulated depreciation					
Accumulated depreciation at 31 March 2002	0	124 035	364 341	0	488 376
Charge for the year	0	5 803	70 281	0	76 084
Disposals	0	(8 440)	(18 092)	0	(26 532)
Accumulated depreciation at 31 March 2003	0	121 398	416 530	0	537 928
Net book value at 31 March 2003	**36 476**	**169 229**	**199 787**	**169 051**	**574 543**

Registers containing details of land and buildings are available for inspection by shareholders at the registered offices of the Bank and its subsidiaries.

3. Investment in subsidiaries

	Bank	
	2004 R'000	2003 R'000
Shares at cost	**279 000**	279 000
Corporation for Public Deposits	**2 000**	2 000
South African Mint Company (Proprietary) Limited	**206 000**	206 000
South African Bank Note Company (Proprietary) Limited	**61 000**	61 000
South African Reserve Bank Captive Insurance Company Limited	**10 000**	10 000
Loan – South African Bank Note Company (Proprietary) Limited	**13 675**	13 675
Current accounts	**70 693**	(65)
Corporation for Public Deposits	**70 694**	(63)
South African Bank Note Company (Proprietary) Limited	**0**	(1)
South African Reserve Bank Captive Insurance Company Limited	**(1)**	(1)
	363 368	292 610

The loan to the South African Bank Note Company (Proprietary) Limited is interest-free and unsecured with no fixed repayment terms.

The subsidiaries are all wholly owned and incorporated in the Republic of South Africa.

	Group		Bank	
	2004 R'000	2003 R'000	**2004 R'000**	2003 R'000

4. Loans and advances

Loans and receivables originated by the entity				
Secured foreign loans	**0**	70 235	**0**	70 235

The loan facility of R75 million expires on 31 December 2004 if not renegotiated. It is secured by a pledge of South African Land Bank bills to the value of R81,7 million and earns interest on the outstanding balance at the repurchase rate. There was no outstanding balance at 31 March 2004.

5. Investments

Held-for-trading				
Local registered bonds	**239 850**	200 842	**0**	0
Short-term South African money-market investments	**5 232 217**	3 953 455	**0**	0
Unit trusts	**7 613**	7 500	**0**	0
International assets	**15 826**	12 848	**0**	0
Fixed deposits	**31 355**	0	**0**	0
Insurance products	**120 626**	21 157	**0**	0
Preference shares	**223**	234	**0**	0
	5 647 710	4 196 036	**0**	0

6. Amounts due by the South African Government

	Group		Bank	
	2004 **R'000**	2003 R'000	**2004** **R'000**	2003 R'000
Loans and receivables originated by the entity				
Gold and Foreign Exchange Contingency Reserve Account	**14 866 127**	36 576 520	**14 866 127**	36 576 520
IMF accounts administered on behalf of the South African Government	**797 265**	797 074	**797 265**	797 074
Government of Namibia debt taken over by the South African Government	**321 992**	511 948	**321 992**	511 948
Net amount due by the South African Government	**15 985 384**	37 885 542	**15 985 384**	37 885 542
Gold and Foreign Exchange Contingency Reserve Account				
Opening balance as previously reported	**36 576 520**	28 023 684	**36 576 520**	28 023 684
AC133 adjustment	**(12 519 400)**	0	**(12 519 400)**	0
Translation differences on foreign assets and liabilities*	**46 688**	0	**46 688**	0
Unrealised gains and losses on forward exchange contracts	**(12 566 088)**	0	**(12 566 088)**	0
Restated opening balance	**24 057 120**	28 023 684	**24 057 120**	28 023 684
Loss on gold price adjustment account	**408 487**	2 899 400	**408 487**	2 899 400
Profit on foreign exchange contract adjustment account	**(20 730 952)**	(5 324 200)	**(20 730 952)**	(5 324 200)
Loss on foreign exchange assets adjustment account	**8 735 032**	17 977 636	**8 735 032**	17 977 636
Movement in unrealised gains and losses on forward exchange contracts	**9 396 440**	0	**9 396 440**	0
	21 866 127	43 576 520	**21 866 127**	43 576 520
Repayment	**(7 000 000)**	(7 000 000)	**(7 000 000)**	(7 000 000)
Balance at end of the year	**14 866 127**	36 576 520	**14 866 127**	36 576 520
Balance composition				
Balance currently due by Government	**18 035 776**	36 576 520	**18 035 776**	36 576 520
Unrealised gains and losses on forward exchange contracts (Note 13)	**(3 169 649)**	0	**(3 169 649)**	0
	14 866 127	36 576 520	**14 866 127**	36 576 520

* Translation differences on foreign monetary assets and foreign liabilities arose on the restatement of foreign monetary assets and foreign monetary liabilities at the respective bid and offer rates due to implementation of AC133.

The Gold and Foreign Exchange Contingency Reserve Account, which is operated in terms of section 28 of the South African Reserve Bank Act, No 90 of 1989, represents the net amount due to the Bank by the South African Government in respect of realised profits and losses incurred on gold and foreign exchange transactions. The amounts due are interest free and repayment terms have been agreed on as follows:

- an amount not exceeding R14 024 million for the 2004/05 and 2005/06 financial years subject to an agreement between the National Treasury and the Bank on the outstanding amount and the exact amount to be settled in each of those financial years.

7. Gold and foreign exchange

	Group		Bank	
	2004 R'000	2003 R'000	**2004 R'000**	2003 R'000
Gold coin and bullion	**9 575 868**	12 816 322	**9 575 868**	12 816 322
Equity interest in Bank for International Settlements*	**223 322**	266 931	**223 322**	266 931
Held-for-trading				
Money-market instruments and deposits	**43 918 043**	37 032 436	**43 918 043**	37 032 436
Medium-term notes	**1 696 649**	2 654 709	**1 696 649**	2 654 709
Managed funds	**6 818 729**	8 304 647	**6 818 729**	8 304 647
Accruals	**50 661**	54 996	**50 661**	54 996
	62 283 272	61 130 041	**62 283 272**	61 130 041
AC133 rate adjustment	**(42 189)**	0	**(42 189)**	0
	62 241 083	61 130 041	**62 241 083**	61 130 041

Gold coin and bullion consists of 3 977 201 fine ounces of gold at the statutory price of R2 407,69 per ounce (2003 – 5 399 483 fine ounces at R2 373,62 per ounce). Gold coin and bullion would have been valued at R10 737 727 767 had it been valued at the market bid price. The change in value would have been transferred to the Gold and Foreign Exchange Contingency Reserve Account.

* This item is a financial asset in terms of AC133 and has been designated as held-for-trading for the purposes of AC133.

8. Accommodation to banks

	Group		Bank	
	2004 R'000	2003 R'000	**2004 R'000**	2003 R'000
Loans and receivables originated by the entity				
Repurchase agreements	**12 750 000**	12 035 000	**12 750 000**	12 035 000
Application of cash reserve balances	**0**	443 118	**0**	443 118
	12 750 000	12 478 118	**12 750 000**	12 478 118

The following table represents details of the collateral as at 31 March 2004:

Market value of collateral	R13 072 403 000
Collateral cover	102,53%

9. South African Government bonds

	Group		Bank	
	2004 R'000	2003 R'000	**2004 R'000**	2003 R'000
Available-for-sale financial assets				
Unlisted Government bonds: zero coupon	**111**	111	**111**	111
Listed Government bonds: interest bearing	**8 670 801**	10 521 008	**8 670 801**	10 521 008
	8 670 912	10 521 119	**8 670 912**	10 521 119

The zero-coupon bonds have no set repayment date, but the Bank has the right to have them converted into interest-bearing bonds for monetray policy implementation. These bonds have therefore been valued at their nominal value. The interest-bearing bonds are shown at fair market value. Bonds to the value of R6,6 million have been encumbered to secure reverse repurchase agreements (refer to Note 18).

	Group		Bank	
	2004 **R'000**	2003 R'000	**2004** **R'000**	2003 R'000

10. Debtors and other accounts

Loans and receivables originated by the entity				
Financial assets	**1 124 414**	6 076 895	**1 108 213**	6 043 131
Non-financial assets	**64 295**	92 099	**64 295**	92 099
	1 188 709	6 168 994	**1 172 508**	6 135 230

11. Inventories

Raw materials	**44 792**	70 190	**0**	0
Work in progress	**44 373**	51 895	**0**	0
Consumable stores	**7 342**	7 221	**0**	0
Maintenance spares	**5 159**	5 069	**0**	0
Finished goods	**25 403**	36 668	**0**	0
	127 069	171 043	**0**	0
Less: Provision for obsolescence	**(121)**	(232)	**0**	0
Value of inventory at net realisable value	**126 948**	170 811	**0**	0

12. Cash and cash equivalents

Loans and receivables originated by the entity				
Bank and cash balances	**5 991**	79 765	**0**	0

13. Forward exchange contracts

Held-for-trading				
Gain on forward exchange contracts	**6 080 188**	0	**6 080 188**	0
Loss on forward exchange contracts	**(2 910 539)**	0	**(2 910 539)**	0
Net gain credited to the Gold and Foreign Exchange Contingency Reserve Account (refer to Note 6)	**3 169 649**	0	**3 169 649**	0

These amounts represent unrealised gains and losses on forward exchange contracts which will be for the account of Goverment as and when they are realised.

14. Notes and coin issued

	Group 2004 R'000	Group 2003 R'000	Bank 2004 R'000	Bank 2003 R'000
Loans and receivables originated by the entity				
Notes	**40 824 215**	34 751 401	**40 824 215**	34 751 401
Coin	**2 291 690**	2 134 884	**2 291 690**	2 134 884
	43 115 905	36 886 285	**43 115 905**	36 886 285

Notes and coin held by the Bank as cash on hand at the end of the financial year have been netted off against the liability for notes and coin in circulation because they do not represent currency in circulation.

	Group 2004 R'000	Group 2003 R'000	Bank 2004 R'000	Bank 2003 R'000
15. Foreign loans	**23 772 616**	19 654 082	**23 772 616**	19 654 082

15. Foreign loans

Other financial liabilities
Foreign loans represent unsecured credit lines utilised and bear interest at market-related rates.

16. Deferred taxation assets and liabilities

	Group 2004 R'000	Group 2003 R'000	Bank 2004 R'000	Bank 2003 R'000
Balance at beginning of the year	**113 936**	91 617	**112 656**	91 493
Opening adjustment due to implementation of AC133	**39 733**	0	**68 466**	0
Income statement credit	**16 856**	22 319	**21 166**	21 163
Balance at end of the year	**170 525**	113 936	**202 288**	112 656
Comprising:				
Deferred taxation asset	**203 652**	118 727	**202 288**	112 656
Deferred taxation liability	**(33 127)**	(4 791)	**0**	0
Net deferred taxation asset	**170 525**	113 936	**202 288**	112 656

Deferred taxation assets and liabilities and debit/(credit) to the income statement are attributed as set out in 16.1 and 16.2.

16.1 Group

	31 March 2004	Credit/ (debit) to income statement	31 March 2003
Property, plant and equipment	(13 173)	(4 342)	(8 831)
Post-retirement medical costs	139 521	28 305	111 216
Provisions	12 318	(170)	12 488
Deferred retirement fund contributions	7 364	6 788	576
Deferred software development costs	1 770	74	1 696
Non-vested reinsurance benefit	(29 082)	(29 082)	0
AC133 fair value adjustment	51 362	51 362	0
Prepaid expenditure and other items	445	3 654	(3 209)
Total	**170 525**	**56 589**	**113 936**
Less shown as: Adjustment due to implementing AC133		**39 733**	
		16 856	

16.2 Bank

	31 March 2004	Credit/ (debit) to income statement	31 March 2003
Deferred retirement fund contributions	7 364	6 788	576
AC133 fair value adjustments	54 399	54 399	0
Post-retirement medical costs	128 556	25 883	102 673
Deferred software development costs	1 770	74	1 696
Provisions	9 889	(754)	10 643
Prepaid expenditure and other items	310	3 242	(2 932)
Total	**202 288**	**89 632**	**112 656**
Less shown as: Adjustment due to implenting AC133		**68 466**	
		21 166	

17. Reserve Bank debentures

	Group 2004 R'000	Group 2003 R'000	Bank 2004 R'000	Bank 2003 R'000
Reserve Bank debentures	**6 300 000**	7 900 000	**6 300 000**	7 900 000

The Reserve Bank debentures are issued to the market on tender, normally for 28 or 91-day terms. The debentures are unsecured. Details of the debentures in issue at 31 March 2004 are as follows:

Maturity date	Interest rate (Per cent)	Capital (R million)
7 April 2004	7,79	1 200
15 April 2004	7,85	1 200
21 April 2004	7,87	1 400
28 April 2004	7,87	2 500
		6 300

18. Deposit accounts

	Group 2004 R'000	Group 2003 R'000	Bank 2004 R'000	Bank 2003 R'000
Financial liabilities				
Non-interest bearing	**21 405 134**	20 166 545	**20 083 315**	19 038 645
Banks' reserve accounts	**17 797 431**	16 147 475	**17 797 431**	16 147 475
Government accounts	**3 519 448**	3 761 603	**2 197 629**	2 633 703
Other current accounts	**88 255**	257 467	**88 255**	257 467
Interest bearing	**10 270 879**	43 249 200	**6 708 127**	40 536 392
Reverse repurchase agreements	**6 708 127**	10 270 000	**6 708 127**	10 270 000
Margin calls – repurchase transactions	**0**	1 002	**0**	1 002
Banks' foreign-denominated deposits	**0**	30 265 390	**0**	30 265 390
Call deposits	**3 562 752**	2 712 808	**0**	0
	31 676 013	63 415 745	**26 791 442**	59 575 037
The reverse repurchase agreements are secured by Government bonds as follows:				
Market value	**6 577 524**	10 521 000	**6 577 524**	10 521 000
Collateral cover (per cent)	**98**	102	**98**	102

19. Creditors and other accounts

	Group 2004 R'000	Group 2003 R'000	Bank 2004 R'000	Bank 2003 R'000
Financial liabilities	**240 913**	466 692	**145 514**	415 382
Non-financial liabilities	**0**	0	**0**	0
	240 913	466 692	**145 514**	415 382

20. Employment benefit liabilities and other provisions

Group	Leave pay and bonuses R'000	Post-retirement medical costs R'000	Retrenchment costs R'000	Professional fees R'000	Total R'000
Balance at 1 April 2002	37 288	298 041	0	0	335 329
Income statement charge	16 019	80 229	609	0	96 857
Utilised during the year	(11 568)	(7 025)	0	0	(18 593)
Balance at 31 March 2003	41 739	371 245	609	0	413 593
Income statement charge	20 284	105 643	590	93	126 610
Utilised during the year	(19 962)	(10 318)	(609)	0	(30 889)
Balance at 31 March 2004	**42 061**	**466 570**	**590**	**93**	**509 314**
Bank					
Balance at 1 April 2002	30 787	278 182	0	0	308 969
Income statement charge	8 608	69 916	0		78 524
Utilised during the year	(3 919)	(5 856)	0	0	(9 775)
Balance at 31 March 2003	35 476	342 242	0	0	377 718
Income statement charge	10 203	95 202	0	0	105 405
Utilised during the year	(12 715)	(8 925)	0	0	(21 640)
Balance at 31 March 2004	**32 964**	**428 519**	**0**	**0**	**461 483**

21. Share capital

	Group		Bank	
	2004 R'000	2003 R'000	**2004 R'000**	2003 R'000
Authorised and issued				
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.

22. Profit before taxation

22.1 Other income is stated after crediting

	Group 2004 R'000	Group 2003 R'000	Bank 2004 R'000	Bank 2003 R'000
Income from investments	**21 850**	24 270	**18 190**	24 250
Dividends	**18 190**	24 270	**18 190**	24 250
Realised and unrealised profits	**3 660**	0	**0**	0
Income from subsidiaries			**11 241**	5 044
Dividends			**200**	200
Interest			**10 068**	3 853
Administration fees			**973**	991
Revaluation of South African Government bonds	**0**	1 004 979	**0**	1 004 797
Realised gains on South African Government bonds	**401 933**	0	**401 933**	0
Commission on banking services	**592 019**	688 595	**592 019**	688 595

22.2 Operating costs include

	Group 2004 R'000	Group 2003 R'000	Bank 2004 R'000	Bank 2003 R'000
Directors' remuneration (Note 33)			**8 118**	6 073
From the Bank for services as directors			**724**	691
From the Bank for other services			**7 394**	5 382
Depreciation	**118 302**	94 556	**101 115**	76 084
Buildings	**9 726**	8 221	**7 308**	5 803
Plant, vehicles, furniture and equipment	**108 576**	86 335	**93 807**	70 281
Net loss/(profit) on disposal of fixed assets	**46 376**	(2 363)	**46 755**	(2 261)
Buildings	**31 204**	0	**31 204**	0
Plant and equipment, furniture and vehicles	**15 172**	(2 363)	**15 551**	(2 261)
Auditors' remuneration	**5 361**	4 167	**4 352**	3 491
Audit fee	**4 894**	3 820	**4 222**	3 158
Underprovision for previous year	**251**	75	**0**	95
Fees for other services	**159**	255	**79**	225
Expenses	**57**	17	**51**	13
Consulting fees	**26 881**	41 670	**24 951**	39 903
Transfers to/(from) provisions	**95 721**	78 264	**83 765**	68 749
Provision for leave pay and bonus	**322**	4 451	**(2 512)**	4 689
Provision for post-retirement medical costs (Note 27)	**95 325**	73 204	**86 277**	64 060
Provision for retrenchment costs	**(19)**	609	**0**	0
Provision for consultancy fees	**93**	0	**0**	0
Retirement benefit costs	**101 351**	72 836	**94 193**	65 171
Normal contributions to funds	**58 136**	55 961	**51 022**	48 849
Additional contributions to funds in respect of early retirements	**34 246**	5 148	**34 246**	5 148
Medical aid premiums paid	**8 969**	11 727	**8 925**	11 174

23. Taxation

	Group 2004 R'000	Group 2003 R'000	Bank 2004 R'000	Bank 2003 R'000
South African normal taxation				
Current taxation	**215 592**	593 778	**191 032**	576 975
Adjustment in respect of prior year	**1 987**	8 158	**1 965**	159
Taxation on realised gains transferred from Bond revaluation reserve*	**41 396**	0	**41 396**	0
Deferred taxation	**(16 856)**	(22 319)	**(21 166)**	(21 163)
Current year	**(9 198)**	(22 319)	**(18 988)**	(21 163)
Adjustment in respect of prior year	**(7 658)**	0	**(2 178)**	0
	242 119	579 617	**213 227**	555 971
Reconciliation of taxation rate				
South African normal taxation rate	**30,00%**	30,00%	**30,00%**	30,00%
Adjusted for:				
Disallowable expenses	**1,53%**	0,28%	**1,87%**	0,10%
Exempt income and special deductions	**-1,42%**	-0,46%	**-0,01%**	-0,01%
Under/(over) provision in respect of prior years	**-0,69%**	0,43%	**-0,03%**	0,01%
Effective taxation rate	**29,42%**	30,25%	**31,83%**	30,10%

* Tax on revaluation gains and losses was accounted for through the bond revaluation reserve. Consequently, realised gains and losses are not subject to current taxation.

	Group 2004 R'000	Group 2003 R'000	Bank 2004 R'000	Bank 2003 R'000
24. Dividends	**200**	200	**200**	200

Dividends were declared as follows:

A final dividend of 5 cents per share for the 2003 financial year was declared on 4 April 2003 and paid on 9 May 2003.

An interim dividend of 5 cents per share for the 2003 financial year was declared on 30 September 2003 and paid on 31 October 2003.

Earnings per share have not been calculated as the shares qualify for a maximum dividend of 10 cents per share per annum in terms of the South African Reserve Bank Act.

25. Cash generated from/(utilised by) operations

Reconciliation of profit before taxation to cash generated from/(utilised by) operations:

	Group		Bank	
	2004	2003	**2004**	2003
	R'000	R'000	**R'000**	R'000
Profit before taxation	**822 958**	1 916 173	**669 925**	1 847 326
Adjustments for:				
Depreciation	**118 302**	94 556	**101 115**	76 084
Net (profit)/loss on disposal of fixed assets	**46 376**	(2 363)	**46 755**	(2 261)
Utilisation of insurance spares	**239**	335	**0**	0
Unrealised foreign exchange loss/(gain)	**(143)**	1 608	**0**	0
Notional interest on interest-free loan	**(46 889)**	0	**(46 889)**	0
Fair value adjustments to financial instruments	**(13 733)**	0	**0**	0
Movement in provisions	**95 721**	77 669	**83 765**	68 749
(Gain)/loss realised on internal registered bonds	**(401 933)**	0	**(401 933)**	0
(Gain)/loss on revaluation of internal registered bonds	**0**	(1 004 797)	**0**	(1 004 797)
Net cash generated from operating activities	**620 898**	1 083 181	**452 738**	985 101
Changes in working capital:				
Decrease in loans and advances	**70 235**	3 823	**70 235**	3 823
Decrease/(increase) in amounts due by the South African Government	**18 549 239**	(8 501 024)	**18 549 178**	(8 501 024)
(Increase)/decrease in gold and foreign exchange	**(1 111 103)**	24 607 375	**(1 111 042)**	24 607 375
Increase in accommodation to banks	**(271 882)**	(392 792)	**(271 882)**	(392 792)
Decrease in debtors and other accounts	**5 002 887**	4 939 420	**4 962 722**	4 941 003
(Decrease/(increase) in inventories	**43 862**	(9 360)	**0**	0
(Decrease)/increase in Reserve Bank debentures	**(1 600 000)**	3 900 000	**(1 600 000)**	3 900 000
(Decrease)/increase in deposit accounts	**(31 739 732)**	(8 167 029)	**(32 783 595)**	(8 246 847)
(Decrease)/increase in foreign loans	**4 118 534**	(8 643 330)	**4 118 534**	(8 643 330)
(Decrease/(increase) in creditors and other accounts	**(189 364)**	(7 388 953)	**(171 425)**	(7 363 083)
Cash (utilised by)/generated from changes in working capital	**(7 127 324)**	348 130	**(8 237 275)**	305 125
Cash (utilised by)/generated from operating activities	**(6 506 426)**	1 431 311	**(7 784 537)**	1 290 226

26. Retirement benefit information

The group has made provision for pension and provident plans covering substantially all employees. All employees are members of either a defined benefit or a defined contribution plan 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, No 24 of 1956.

Contributions to the defined benefit fund are charged against income based upon actuarial advice. Any deficits are funded to ensure the ongoing financial soundness of the fund. The benefits provided are based on the years of membership and salary levels. These benefits are provided from contributions by employees and the employer, as well as income from the assets of the plan. Current contribution levels are considered to be adequate to meet future obligations.

Principal actuarial assumptions are as follows:

- The discount rate used in determining the actuarial present value of promised benefits in respect of services rendered to the valuation date reflects the long-term rates at which such obligations are to be settled. The current rate used is 14 per cent (2003 – 14 per cent).

- Plan assets are valued at actuarial fair value. When fair values are estimated by discounting future cash flows, the long-term rate of return reflects the average rate of total income expected to be earned on the plan assets during the period until benefits are paid.

- When retirement benefits are based on future salaries, as in the case of final salary and career average plans, salary increases to date of termination reflect factors such as inflation and promotion.

- Automatic retirement benefit increases, such as cost-of-living adjustments, are taken into account. When, in the absence of formal requirements to increase benefits, it is the practice of the enterprise or the plan to grant such increases on a regular basis, it is assumed that the increases will continue.

The last actuarial valuation of the plan was performed on 31 March 2001, at which date there was an actuarial shortfall of R5,8 million. This amount was paid to the fund by the Bank during the previous financial year by way of a special contribution, thus eliminating the shortfall.

27. Post-retirement benefits

The Bank and a subsidiary provide post-retirement benefits to retired staff in the form of subsidised medical aid premiums. A provision for the liability has been created. The provision covers the total liability, i.e. the accumulated post-retirement medical benefits liability at fair value as at 31 March 2004.

	Group		Bank	
	2004 R'000	2003 R'000	**2004 R'000**	2003 R'000
Financial year-end at 31 March 2003				
Net liability at 31 March 2003	**371 245**	298 041	**342 242**	278 182
Annual cost				
Interest cost	**41 788**	33 175	**38 551**	30 578
Service cost	**15 474**	15 345	**13 106**	10 453
Subsidy increases above expectations	**27 753**	0	**27 753**	0
Recognised actuarial losses/(gains)	**24 994**	36 402	**20 904**	34 203
Net cost	**110 009**	84 922	**100 314**	75 234
Total benefit payments	**(14 684)**	(11 718)	**(14 037)**	(11 174)
Net liability on balance sheet (Note 20)	**466 570**	371 245	**428 519**	342 242

Key assumptions:

Rate of return	9,5%
Medical inflation	7,5%
Valuation date	31 March 2004

28. Contingent liabilities, commitments and other contingencies

Contingent liabilities, commitments and other contingencies arise in the normal course of the Bank's business activities. Reserves are maintained to meet these exposures.

29. Capital commitments

	Group		Bank	
	2004 R'000	2003 R'000	**2004 R'000**	2003 R'000
Contracted	**29 500**	95 373	**24 954**	95 369
Not contracted	**77 300**	108 010	**69 107**	55 174
Total	**106 800**	203 383	**94 061**	150 543

These capital commitments will be funded from internal resources.

30. Risk management in respect of financial instruments

The Bank's policies and procedures regarding risk management are dealt with in the risk management statement which appears on pages 8 to 9. Certain aspects of risk management specific to financial instruments are described in more detail below.

Interest rate risk

With the exception of South African Government bonds and amounts due by the South African Government, the rand-denominated financial assets and liabilities of the Bank, respectively, earn and bear interest at rates linked to South African money-market rates. The level of these rates are managed by the Bank through its monetary policy operations. The repricing of these assets and liabilities therefore occurs at approximately the same time. Accordingly, the Bank is not subject to significant interest rate risk in respect of these instruments. The interest rate risk in respect of internal registered bonds manifests itself mainly as market price risk, which is discussed below. Amounts due by the South African Government are interest free, but arrangements for the repayment of the remaining balance are in place.

Market price risk

Market price risk is the risk of loss resulting from changes in market conditions and prices. In its monetary policy operations, the Bank is obliged to accept certain market-related risks which would not be fully compatible with pure commercial practice. The Bank nevertheless manages its market risks responsibly, utilising modern technology and appropriate organisational structures and procedures. Exposures and limits are measured continuously and strategies are routinely reviewed by management on a daily basis and, when circumstances require, throughout the day.

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 such activities of the Bank as advances to and deposits made with other institutions and the settlement of financial markets transactions.

Credit risk policies are formulated by the Governor's Committee, in terms of which counterparty limits and security arrangements are set.

Liquidity risk

Liquidity risk is the risk that an entity may not be able to accommodate decreases in liabilities or to fund increases in assets in full at the time that a commitment or transaction is due for settlement. In the case of the Bank, this risk is not relevant to domestic assets and liabilities because of the Bank's ability to create rands when required. However, the Bank does face liquidity risk in respect of foreign assets and liabilities.

The Bank manages its foreign liquidity risks through appropriate structuring of its foreign investment portfolios to ensure that the maturity profiles of foreign assets sufficiently match those of foreign commitments. This is monitored and managed on a daily basis. In addition, the Bank's foreign investment portfolio comprises mainly short-term, highly liquid investment instruments.

31. Related party information

During the year the company and its subsidiaries, in the ordinary course of business, entered into various transactions. These transactions were made on commercial terms and conditions at market rates.

32. Segment reporting

Due to the integrated nature of the activities of the Bank and its subsidiaries, the presentation of segmental information is not considered informative.

33. Directors' remuneration

The directors' remuneration for the year ended 31 March 2004 is as follows:

	Remuneration including fringe benefits R'000	Retirement and medical contributions R'000	**2004 Total R'000**	2003 Total R'000
Executive directors – remuneration for other services				
T T Mboweni*	2 326	268	**2 594**	2 384
G Marcus	1 309	167	**1 476**	1 331
X P Guma	1 291	174	**1 465**	1 320
I Plenderleith (2003 – 2 months)	1 841	18	**1 859**	347
	6 767	627	**7 394**	5 382
Non-executive directors – for services as directors				
B P Gilbertson			**41**	88
M T de Waal			**0**	36
D Konar			**132**	122
M Padayachee			**117**	106
N D Orleyn			**86**	60
J W Raath			**56**	49
F Jakoet			**86**	76
A M Mokgabudi			**89**	78
Z P Manase			**82**	76
S M Goodson			**35**	0
			724	691

* Includes the taxable amount of other fringe benefits.

34. Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

35. Prior year reclassifications due to implementation of AC133

	Group		Bank	
	Previously disclosed R'000	Balance restated R'000	Previously disclosed R'000	Balance restated R'000
Effect on assets				
Forward foreign exchange contracts	0	20 467 516	0	20 467 516
Amount due by Government	511 948	283 727	511 948	283 727
Foreign assets	61 130 041	61 083 353	61 130 041	61 083 353
Deferred taxation	118 727	189 421	112 656	181 122
Gold and Foreign Exchange Contingency Reserve Account	36 576 520	24 057 120	36 576 520	24 057 120
Debtors and other accounts	0	88 350	0	0
Investments	4 196 036	4 212 536	0	0
	0	0	0	0
	102 533 272	**110 382 023**	**98 331 165**	**106 072 838**
Effect on liabilities				
Forward foreign exchange contracts	0	7 901 428	0	7 901 428
Embedded derivatives	0	3 993		
Deferred taxation	4 791	31 296		
	4 791	**7 936 717**	**0**	**7 901 428**

Notice of ordinary general meeting 2004

Notice is hereby given that the eighty-fourth ordinary general meeting of shareholders will be held at the head office of the South African Reserve Bank, 370 Church Street, Pretoria on Tuesday, 24 August 2004 at 10:30.

Agenda

1. **To approve minutes of the ordinary general meeting** of shareholders held on 26 August 2003 (distributed).
2. **To receive the annual financial statements** and reports of the Board of Directors and the auditors for the year ended 31 March 2004.
3. **To elect shareholders' representatives** to the Board of Directors. Details appear on pages 27 and 42.
4. **To determine the remuneration of the auditors** for the past audit and **to appoint auditors** for the 2004/05 financial year.
5. **To transact any other business** to be transacted at an annual general meeting.

   In terms of section 23(1) of the South African Reserve Bank Act, No 90 of 1989, no shareholder is entitled to vote at an ordinary general meeting unless the shareholder has been the registered holder of shares for not less than six months prior to the date of the meeting and is ordinarily resident in the Republic.

   Shareholders who are unable to attend the meeting in person may use the attached proxy form. All proxy forms must be deposited at the head office of the Bank in Pretoria at least twenty-four hours prior to the meeting.

By order of the Board

Z R Matsau
Secretary

Pretoria
18 June 2004

Shareholders' calendar

Dividends

	Declared	Paid
Interim	30 September 2003	31 October 2003
Final	31 March 2004	9 May 2004

Date and time of the ordinary general meeting in Pretoria: 24 August 2004 at 10:30.

South African Reserve Bank

Proxy

I, the undersigned ______________________________

of ______________________________

being a shareholder of the Bank, and entitled to ______________________ votes,

hereby appoint ______________________________

of ______________________________ or failing this person

______________ of ______________________ or failing this person

______________ of ______________________ as my proxy

to vote for me at the ordinary general meeting of the Bank's shareholders to be held on the twenty-fourth day of August 2004 and at any adjournment thereof, as follows:

	In favour of	Against	Abstain
1. Approval of financial statements			
2. Election of director			
2.1 J W Raath (See enclosed Curriculum Vitae)			
2.2 F Jakoet (See enclosed Curriculum Vitae)			
2.3 A M Mokgabudi (See enclosed Curriculum Vitae)			
3. Remuneration of auditors			
4. Appointment of auditors			

Please insert an "x" in the appropriate spaces provided above. Unless otherwise instructed, my proxy may vote as he/she deems fit.

Signed at ______________________ on the ______________________ day

of ______________________ 2004.

Signature ______________________

Witness ______________________