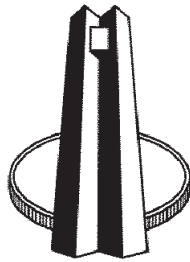


SOUTH AFRICAN RESERVE BANK

ANNUAL FINANCIAL
STATEMENTS

31 March 2001



SOUTH AFRICAN RESERVE BANK

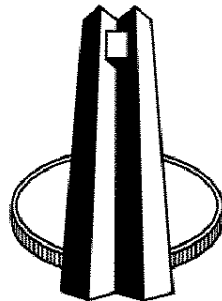
ANNUAL FINANCIAL
STATEMENTS

To be presented to shareholders at the ordinary
general meeting to be held on 28 August 2001

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The logo of the South African Reserve Bank



The head office building of the Reserve Bank in Pretoria forms the nucleus of the logo of the Bank. The logo portrays the four basic functions and the mission of the Bank. Its colour is gold. Gold has, because of its monetary role in the history of the world in general and South Africa in particular over more than three thousand years, become synonymous with money, and money is the business of the Bank.

The foreground consists of the head office building with its four distinct façades, depicting symbolically the four main functions of the Bank, namely:

- to formulate and implement monetary policy;
- to manage the money and the banking system of the country;
- to provide economic and financial services to government; and
- to provide economic and statistical services to the general public.

The cross-section near the top of the building represents the viewing platform on the upper floors and depicts the corporate services (technology, etc.) that provide the supporting infrastructure to the line functions and also bond the various activities of the Bank into a unitary and smoothly functioning total organisation. Behind the head office building lies a coin which represents the South African currency.

The mission of the Bank, namely the achievement and maintenance of financial stability, is symbolically embodied in the logo, with the building representing the Bank and its functions, guarding over the coin and, in the process, achieving and maintaining financial stability.

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 is convinced that it is essential 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 developments in international finance;
- assisting the South African government, as well as other members of the economic community of Southern Africa, in the formulation and implementation of macro-economic policy; and
- informing the South African community and all interested stakeholders abroad about monetary policy specifically, and the South African economic situation in general.

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 essential in its judgement and in its actions.

The Reserve Bank ensures, through the application of modern management practices and technology, that all its activities are conducted 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, colour, 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.

Risk management statement

Risk is an inherent feature of the Bank's activities as the central bank of the Republic of South Africa. The Bank is committed to managing these 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 report independently to management.

Risk elements

The main risk elements in the Bank's activities are market price, credit, market liquidity, operational, human resource, legal and reputational risks. These are discussed below.

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 market transactions.

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

Market liquidity risk

Market liquidity risk is the risk of loss due to the inability of the Bank to transact in large volumes at current market prices. Market liquidity risks arise in situations where it is necessary to acquire or dispose of large positions in the market within a short period, but where the execution of such large transactions is prohibited by prevailing turnover levels in the market. In order to absorb significant losses which may arise from positions taken in the execution of monetary policy, the Bank has, over time, set aside reserves to be employed in such circumstances.

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 an appropriate culture and value system, 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 where actual 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 Bank's activities necessitates specialised knowledge in certain 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 standards and procedures on a basis designed to ensure compliance with all applicable internal, statutory and regulatory requirements.

Reputational risk

The executive management of the Bank necessarily has a measure of freedom and discretion in the exercise of central banking functions. However, this freedom is circumscribed by the fiduciary duties of good governance and by ensuring a proper balance with accountability and the best interests of the Bank and its various stakeholders. Consequently the Bank's management follows the principles and guidelines contained in the Code of Conduct of the King Report on Corporate Governance in fulfilling their fiduciary duties, including their duties of care and skill, with a view to achieving maximum efficiency and ensuring the reputation of the Bank as the central bank of South Africa.

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 Bank adheres strictly to the latest international standards, and, to this end, it maintains close liaison with international peers. For example, the Bank strives for full compliance with the Basel Core Principles for effective banking supervision.

Directors, executive management and secretary

Directors

Tito Titus Mboweni *
Governor

James Havelock Cross °
Senior Deputy Governor

Timothy Thahane Thahane •
Gill Marcus
Deputy Governors

Bax Dale Nomvete †
Mahavishnu Padayachee °
Representing: Government

Izak Johannes Moolman °
(term of office expires on 29 August 2001 and not available for re-election)
Deenadayalen Konar †
Brian Patrick Gilbertson *
Fatima Jakoet °
Representing: Commerce or finance

Jacob Wouter Raath
(term of office expires on 29 August 2001 and not available for re-election)
Representing: Agriculture

Marius Theodorus de Waal x
Audrey Matshidiso Mokgabudi *
Representing: Industry

- † Chairperson of the audit committee
- x Chairperson of the remuneration committee
- o Member of the audit committee
- * Member of the remuneration committee
- † Deceased 1 August 2000
- Retired with effect from 1 April 2001

Executive management

Governor: Research, national payment system,
human resources and training

T T Mboweni

Senior Deputy Governor: International banking,
internal audit, money and capital market operations
and currency management and protection
services

J H Cross

Deputy Governor: Information technology, legal services,
corporate services and international relations

T T Thahane •

Deputy Governor: Bank supervision,
exchange control and financial services

G Marcus

Secretary

Z R Matsau

Registered office

370 Church Street
Pretoria

- Retired with effect from 1 April 2001

Senior management

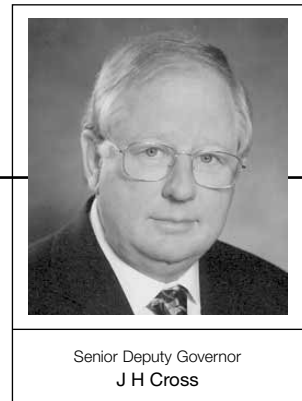
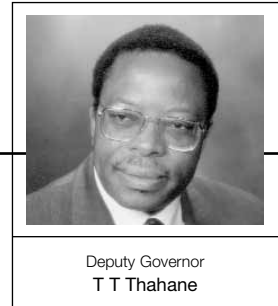
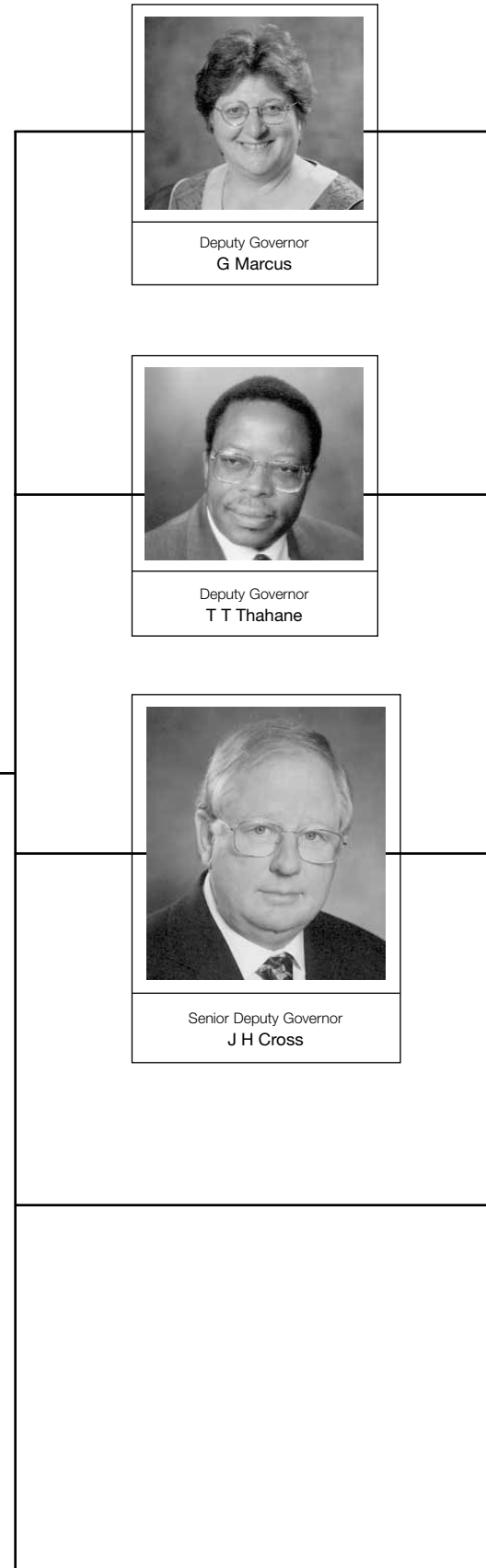
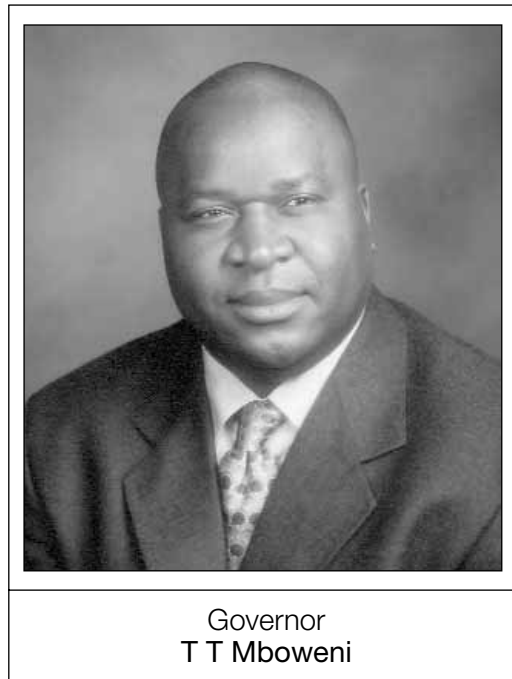
Chief Economist and Head: Research	E J van der Merwe
Adviser	X P Guma
Principal: SA Reserve Bank College	R M Gidlow
General Manager: Bank supervision	C F Wiese
General Manager: International banking	L van Zyl
General Manager: Human resources	T T Ngcobo
General Manager: Currency and protection services	A Ismail
Head: Business systems and technology	J van Heerden
Head: Exchange control	A M Bruce-Brand
Head: Financial services	G J Terblanche
Head: Money and capital market	R M du Plooy
Head: Internal audit	H P Badenhorst
Head: Corporate services	Z S Gumede
Head: National payment system	D C Mitchell
Head: Legal services	J J de Jager

Branch managers as at 31 March 2001

Bloemfontein	I Oberholster
Cape Town	M L Ochse
Durban	A C Botha
East London	A G Dent
Johannesburg	T Mdhuli
Port Elizabeth	J A Swart
Pretoria North	M C Twala

Organisational structure

FUNCTIONS
Formulate and implement monetary policy
Analyse economy Formulate policy Implement policy Liaise with Government
Manage the money and banking system
Develop financial system Act as banker of banks Supervise banks Supply notes and coin
Provide services to Government
Render expert assistance Supply administrative support Provide banking services
Provide economic and statistical services
Compile statistics Do research Provide economic information services Provide statistical service
Corporate support services






Head of Bank supervision and Registrar of Banks
C F Wiese



Head Exchange control
A M Bruce-Brand



Head Financial services
G J Terblanche



Head Business systems and technology
J van Heerden



Head Corporate services
Z S Gumede




Head Legal services
Dr J J de Jager



General Manager International banking
L van Zyl




General Manager Currency and protection services
A Ismail




Head Money and capital market
Dr R M du Plooy




Head Internal audit
H P Badenhorst




Head of Research and Chief Economist
Dr E J van der Merwe



Head National payment system
D C Mitchell



Adviser
Dr X P Guma



Principal SA Reserve Bank College
Dr R M Gidlow



General Manager Human resources
T T Ngcobo

Corporate governance statement

The Bank is committed to the principles of, and complies with all significant requirements contained in the King Report on Corporate Governance. The Bank's compliance with these requirements is as follows:

Board of directors

The Board of fourteen directors comprises:

Executive directors

- a governor and three deputy governors appointed by the Government;

Non-executive directors

- three directors appointed by the Government; and
- seven directors elected by the shareholders.

The South African 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 and monitors executive management through a structured approach to delegation, reporting and accountability. This structured approach includes reliance on the Governors' Committee which is responsible for the day-to-day activities of the Bank, and on various Board subcommittees, chaired by non-executive directors. Non-executive directors have no service contracts with the Bank and are appointed for specific terms. Re-election is not automatic.

Governors' Committee

The Governor and three deputy governors, in their capacity as executive directors of the Bank responsible for the day-to-day management and policy decisions, except those reserved for the Board, regularly meet as the Governors' Committee of the Bank to consider policy issues and other executive management matters. These meetings are also attended by the chief economist, the general counsel and the adviser to the governors.

Audit Committee

The composition of the audit committee appears on page 6. The external and internal auditors have unrestricted access to this committee. The committee meets regularly with management, the Internal Audit Department and the external auditors to 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.

Remuneration Committee

The composition of the remuneration committee appears on page 6. The committee meets regularly with management to review human resource matters and remuneration practices and policies. This committee determines the remuneration packages of the Governor and deputy governors.

Monetary Policy Committee

The Monetary Policy Committee is responsible for ensuring the transparency of monetary policy implementation in line with current international best practice. The committee comprises the Governor and deputy governors as voting members, as well as other senior staff of the Bank as non-voting members. The committee meets at approximately six-week intervals and a statement on monetary policy is issued after each meeting.

Internal control and audit

The internal audit function, which is administratively accountable to a deputy governor, is an independent appraisal function examining and evaluating the Bank's activities and resultant business risks. Its objective is to assist members of executive management in the effective discharge of their responsibilities. The scope of the internal audit function includes a review of the reliability and integrity of financial and operating information, the systems of internal controls, the means of safeguarding assets, as well as an evaluation of the efficiency with which resources are managed, and of the effectiveness with which operations are conducted. The Chief Internal Auditor has the responsibility of reporting to the audit committee and has unrestricted access to its chairperson.

To fulfil its responsibilities, management maintains adequate accounting records and has developed and continues to maintain an effective system of internal controls. The systems of internal financial control, designed to prevent material misstatement of financial statement information or loss of assets, are based on organisational structures and written policies and procedures, including budgeting and forecasting disciplines and the comparison of actual results against these budgets and forecasts. The auditors, both internal and external, have satisfied themselves, by performing their normal tests in respect of internal controls, that these systems and procedures are implemented and monitored by suitably trained staff, with an appropriate segregation of their authority and duties and by comprehensive use of advanced computer hardware and software technologies. Employees are required to maintain the highest ethical standards in ensuring that business practices are conducted in a manner which in all reasonable circumstances is above reproach.

Financial discipline

The Bank ensures financial discipline through a budget committee comprising the three deputy governors, the heads of the Financial Services, Human Resources, Corporate Services and Research Departments, as well as the head of Strategic Planning. This committee meets regularly to oversee the preparation of the operational and capital budgets and the monitoring and management of actual financial performance.

Employee participation

The Bank and its employees share relevant information by means of meetings of the Departmental Equity Forums or Branch Equity Forums. Information from employees is consolidated centrally by the Employment Equity Consultative Body (EECB) which forwards it via the Management Steering Committee to the Governors' Committee for consideration and possible consensus.

Staff members are kept informed about a wide range of issues through regular briefings, seminars and publications such as newsletters and the staff magazine, and induction courses for new employees about the role and functions of the Bank. Electronic mail and the Intranet are used to bring management and press announcements to the immediate attention of staff.

Employment Equity Consultative Body (EECB) and Management Steering Committee (MSC)

In line with the provisions of the Employment Equity Act, No. 55 of 1998, democratic elections were held in the first half of 2000 and representatives were elected to the Employment Equity Consultative Body (EECB) to represent the interests of the employees of the Bank for the purposes of consultation with these employees or their representatives, and to give effect to the legislative requirements of the Act.

Designated representatives of the executive management of the Bank were appointed to the Management Steering Committee (MSC) to give operational effect to the consultation requirement that the Act places on the Bank as employer. The MSC supports and represents the Governors' Committee in consulting with the designated employee representatives of the EECB about the Bank's employment equity plan, contained in the Bank's HR 2005 Plan, and also about employment equity matters in the Bank to achieve the Bank's transformation targets.

Code of conduct

Acceptable staff conduct is clearly prescribed in the Bank's Personnel Regulations and Procedures which are made available to all new appointees.

Environmental impact control

The Bank and its subsidiaries recognise that environmental issues are of fundamental importance to successful business strategies. The Bank is conscious of its obligations to the environment and applies best available environment-friendly practices to minimise the impact of its operations wherever possible.

Operational review

Departmental operational reviews

Bank Supervision Department

The department contributes domestically and internationally to the stability and efficiency of the banking and depositor protection system, primarily by fulfilling the statutory obligations set out in the Banks Act, 1990. To this end, the department's activities are performed by seven divisions.

The two Analysis Divisions supervise, on a consolidated basis, 34 locally controlled and nine foreign-controlled banks, and three registered mutual banks. The divisions analyse the risk-based supervisory information submitted by banks, identify issues of concern and discuss them with banks, monitor compliance with prudential requirements, hold discussions on strategic issues with various levels of banks' management, assess risk-management systems and controls, promote sound risk-management practices, hold annual trilateral discussions and give presentations to boards of directors of banks.

The On-site Supervision Division validates on site the key assertions made by the Analysis Division staff, with credit risk as the initial focus. The division undertakes on-site reviews to assess the adequacy of the risk management policies and systems employed by banks and the quality of bank assets. On average, the on-site reviews take two weeks per on-site review and the division's work is aimed at forming an opinion about the adequacy of each bank's risk management policies and procedures, the effective and consistent operation of the risk management systems and controls, the quality of bank assets (mainly loans and advances) and the adequacy of the management information system for facilitating effective risk management.

The Legal and Regulatory Administration Division drafts proposed amendments to the Act, reviews regulations and drafts proposed amendments to regulations, drafts proposed circulars to banks, deals with litigation concerning banks placed under curatorship or liquidation, processes new applications for registration as banks and branches of foreign banks, investigates contraventions of the Act and processes applications for mergers and acquisitions of banks.

The Policy and Research Division researches the latest developments in the field of bank supervision, develops policy responses to emerging issues, researches and develops consolidated supervision and capital adequacy requirements for banks' securities trading activities, analytically reviews the aggregated information submitted by all the institutions comprising the banking sector, compiles macro-reports on the banking sector, updates and administers training material and the training database, and presents lectures for training purposes.

The Information Systems Division collects statutory returns, captures information on an electronic database, prepares data for analytical review, processes data for and produces risk-based reports, prepares graphs to reflect trends, maintains information

on the database and does research to ensure that the technology used in the department is at the forefront of development.

The Operational Management and Correspondence Division processes and controls correspondence with banks, handles matters of an administrative nature in terms of the Act, prepares and monitors the departmental budget, and administers staff and other resources and facilities.

In the next financial year, the department will continue to extend its relations with other supervisors at local, regional and international levels.

Business Systems and Technology Department

The major purpose of the department is to support the mission of the Bank by enabling effective business processes through information and communication technology. In performing its duties the department provides novel, integrated and cost-effective information technology (IT) solutions. It provides and maintains a reliable and secure IT infrastructure; ensures the effective management of the Bank's information resources; and facilitates the development of an integrated IT solution to support the regional financial system and infrastructure in the SADC. It also continues the process of enhancing the IT utilisation capability in the SADC central banks, and exploits to the advantage of the Bank the opportunities and benefits offered by new and emerging technologies.

The department initiated several major new projects during the 2000/01 financial year. The most significant of these were the development of a new retirement fund administration system (Refas) for the Financial Services Department; the cross-border information flow system (BOPCUS) for the Exchange Control Department; the Bank-wide information security initiative; and a Bank-wide GroupWare initiative for document management, electronic data interchange, workflow and automated web publishing.

The rebuilding of SAMOS knowledge and skills project which commenced in the second quarter of 1999, after the departure of highly skilled staff members from the department, was successfully completed.

The department was also actively involved in various skills development initiatives, the most significant being the Information Technology Banking Internship Programme (ITBIP). This programme involves seven commercial banks and focuses on training previously disadvantaged young people to become programmers and network specialists. The department is sponsoring eight students for the 2001 calendar year and has employed 13 successful students from the designated group over the past three years.

The department continued its involvement and leadership role in the SADC Information Technology Forum. To assist with capacity building in the SADC central banks, several skills development courses were presented and assistance was provided to specific SADC central banks. The initiative to provide harmonised solutions for real-time gross settlement, economic analysis and bank supervision has also made significant progress.

Corporate Services Department

The management and development of the Bank's infrastructure, i.e. building and equipment as well as the provision of logistical support, remain the cornerstone of the Corporate Services Department's activities. The Facilities Management Division has continued to carry out maintenance work as part of an annual maintenance

programme. Obsolete equipment has been replaced or upgraded to ensure the smooth operation of the Bank. Of significance in the period under review were: (i) the completion of the Church Square Complex refurbishment amounting to R32 million – the National Treasury took tenancy on 1 March 2001; (ii) the completion of the refurbishment of the Governor's two official residences in Pretoria and Cape Town; (iii) the implementation of Project Imali, i.e. refurbishment of branch buildings to accommodate the cash wholesaling function; and (iv) the refurbishment of 38 Church Square at an estimated cost of R7,5 million to accommodate certain head office staff.

The Procurement Unit was also formalised. This unit ensures that accountability, transparency and equity in all the Bank's procurements are in line with established policy. The unit has ensured that competition is promoted for all the Bank's contracts and that small, medium and micro enterprises (SMMEs) are also afforded an opportunity to do business with the Bank.

The Protocol and Conferences Unit organised and co-ordinated a number of events for local, international and SADC region delegates. Of note were the Bank for International Settlements (BIS) meeting of African Central Bank Deputy Governors and the banquet for heads of foreign missions accredited in South Africa.

Currency and Protection Services Department

The mandate of the department is to manage cash and the procedures for the distribution of currency within the country; to co-ordinate and ensure the overall protection and safety of the South African Reserve Bank's staff, systems and assets; to identify, evaluate and manage the security risks associated with the Bank's activities; and to evaluate and maintain, on a continuous basis, the South African Reserve Bank's Business Continuity Plan.

The department comprises three divisions and one section: the Currency Management Division, Protection Services Division, Security Risk Division and a Support Services Section.

The Currency Management Division issued R40 148 million in new banknotes during the year ended 31 March 2001. The banknotes received by the branches by means of deposits made, totalled R124 499 million and soiled banknotes amounting to R27 300 million were withdrawn from circulation and destroyed. Banknotes in circulation as at 31 March 2001 amounted to R27 755 million.

Coin to the value of R73,7 million was issued during the financial year. The coin issue was significantly lower than the value of coin issued in the previous year because the higher denomination coins were held in reserve at the South African Reserve Bank branches over the Y2K transition period.

The Currency Management Division commenced the implementation of the new cash management strategy called Project Imali (money). The project makes provision for greater operational capacity at existing branches, as well as providing contracted bulk cash services in Mpumalanga and the Northern Province, where the Bank is not yet represented. The branches also extend other services of the Reserve Bank to the general public, such as hosting the regional Monetary Policy Forums.

A project to launch a new banknote series is currently in progress and local artists will be invited to participate in the design phase. A research study has also been launched into the public's uses, preferences and perceptions in respect of coin.

The establishment of the Security Risk Division is in line with recent international developments, which have seen several major central banks develop a dedicated capacity to collect and analyse information on security issues and organised criminal activity.

The Security Risk Division supplies security information and collates, researches, co-ordinates and evaluates criminal and other security threats to the Bank. These threats include cash-in-transit risks, cash heists, counterfeiting, money laundering, fraud, and cyber terrorism. The division will, within and outside the Bank, adopt a multidisciplinary approach, promote a consultative process and where necessary, facilitate cross-cutting project teams.

Exchange Control Department

The department administers exchange controls on behalf of the Minister of Finance, in terms of delegated powers. The department's main functions are to implement, administer and monitor the provisions of the regulations, as well as to collect, analyse and disseminate information to policy makers about cross-border foreign exchange flows. The 34 authorised dealers in foreign exchange, who have been appointed by the Treasury, carry out the day-to-day administration of exchange controls.

The concepts of the paradigm shift project, i.e. the change in philosophy permitting all transactions except certain specified exclusions, with the emphasis on accurate transaction reporting, were crystallised and specific directions and strategies developed. The first stage of the information flow project, operational as from 1 April 2001, has been successfully engineered. Further exchange control reforms, including the termination of the asset swap mechanism, were implemented by the department.

Executive Management

Since the restructuring of the former Secretariat Department, and the reallocation of the major portion of its functions to the Executive Management Department and the Corporate Services Department, the Executive Management's staff complement has grown. The Executive Management Department comprises the Office of the Governor, Offices of the Deputy Governors, Special Adviser to the Governors, Secretarial Support Services Unit, Media and Public Affairs Unit, Vulindlela Unit and Special Projects. The Chief Economist and Head of Research reports directly to the Governor. The focus during the year under review was to establish and consolidate the new structure and to improve resources, communication and administration.

The personal staff in the Office of the Governor and Deputy Governors continued to provide a support and administrative function to the governors in their day-to-day tasks and duties.

The Secretarial Support Services Unit continues to provide secretarial support to Board meetings, Board committees, the Governors' Committee and to the Bank's other internal committees.

The Public Affairs and Media (Communications) Unit has continued to assist with the dissemination, both internally and externally, of information on the functions and operations of the Bank through the six-monthly meetings of the Monetary Policy Forums and through the Communications Forum established during the year under review. The unit has also been responsible for implementing the Bank's social responsibility programme.

The Vulindlela Unit comprises two components: Change Management and Strategic Management. The Change Management component has been instrumental in compiling the Bank's Employment Equity Plan and ensuring that the Bank complies with the requirements of the Employment Equity Act, 1998. Change management has also been actively involved in the implementation of all aspects of employment equity in the Bank. The strategic management component has continued to support management at all levels in the Bank in determining and achieving the strategic objectives of the Bank. The highlight for strategic management has been the formulation of the Bank's Vision 2010 as well as the development of the Bank's strategic framework.

The Special Projects service has been actively involved in the work of the Governor's Panel considering the past assistance extended to Bankorp, the finalisation of a Governors' Handbook and the formulation of protocol guidelines for the Bank.

Financial Services Department

The department administers the finances of the Bank, and also provides banking services to customers. Its responsibilities include financial and management accounting for the Bank, such as budgetary control, administering the payroll, accounts payable, fixed assets registers, domestic payments and receipts of the Bank, managing the SWIFT system, as well as administering the Corporation for Public Deposits and the Pension and Retirement Funds of the Bank. In addition, the department provides banking services utilised by the Bank itself, the central government and other clients. The department is closely involved in the South African payments and settlements industry and is represented on various interbank work groups and committees in this regard. Significant focus areas for the next financial year will be ensuring the smooth introduction of same-day settlement for banks in South Africa on 7 May 2001 and continuing to meet the expanding needs of the Bank through the recruitment, training and retention of suitably qualified staff to provide financial support services and control systems.

Human Resources Department

The department continues to pursue the achievement of key institutional objectives through human resources processes. To this end, policies are reviewed, formulated and implemented to ensure equity in the Bank on an ongoing basis. A revised staff regulation manual has been completed and will be benchmarked.

Milestones worthy of note were the change in the pay philosophy implemented on 1 April 2001, as well as a successful HIV/AIDS awareness campaign.

The department played a pivotal role in the Sector Education and Training Authority in writing unit standards for the finance sector. The Bank's workplace skills plan was well received and consequently the Bank qualified for a rebate.

In terms of labour relations, the staff can look forward to receiving an IR pocket manual in the near future.

Internal Audit Department

In supporting all levels of management, the primary purpose of the department is to appraise independently the Bank's and its subsidiaries' corporate business risks, the adequacy and effectiveness of the system of controls and the quality of performance. It also provides consulting services concerning risk and control matters. Through the audit committee, the department also provides information about these functions to the Bank's Board of directors.

The department's audit approach is risk-based and a model is applied to assess the relative risks associated with the activities of various departments and the subsidiaries. The model divides overall risk into inherent risk and the risk of inadequate control. The model was used as a guide in defining and planning audit projects for the 2000/01 financial year. The department had planned 294 projects for the year under review, including Control and Risk Self-Assessment projects and co-ordinating the issuing of annual letters of representation by heads of departments.

In total, 245 projects were completed in this financial year and 81 were in various stages of completion as at 31 March 2001. These included the normal planned systems audits, performance audits, verification audits, follow-up audits, preliminary surveys, analytical reviews, investigations, *ad hoc* client requests, compliance audits performed at monthly and quarterly intervals, continuous projects as well as the business monitoring notes issued to convey concerns or obtain clarity about aspects identified by the department in the course of its continuous business-monitoring process.

Generally, the purpose and scope of every audit entailed the evaluation of the adequacy and effectiveness of all controls designed to address the high and medium risks identified. In all instances an opinion was formulated, supported by the relevant findings and discussed with the responsible level of management. Details of shortcomings and/or opportunities for enhancement were also discussed and these, along with management's envisaged remedial actions, were included in a written report distributed to all parties involved.

The findings contained in each audit report were also summarised and reported to the relevant audit committee.

International Banking Department

The department's purpose is to perform international banking and international treasury services. The department's core responsibilities are described briefly below.

The department implements exchange rate policy. In addition to executing transactions in the spot and forward foreign-exchange market, the department also gathers information, in particular from the foreign-exchange market, analyses these data and makes an input into the policy-making process.

The department manages the Bank's gold and foreign-exchange reserves. In this regard, small tranches of the reserves are managed by external fund managers. A benchmark return has been set on these funds, and the investment guidelines within which the fund managers may operate, have been clearly and conservatively spelt out. Although increased attention is being given to achieving satisfactory returns within acceptable risk parameters on the investment of foreign reserves, the management of liquidity remains of cardinal importance.

The Bank's correspondent banking relationships involve the negotiation, renewal and administration of credit facilities with counterparts.

Following the announcement by the Minister of Finance in December 1997, gold-mining companies have been selling an increasing percentage of their gold production directly to their overseas counterparts. The department also provides loans to the local jewellery industry and purchases legal tender gold coins.

The department identifies and measures all risks inherent in gold and foreign-exchange activities and ensures that these risks are within set limits. A comprehensive risk-management system is utilised.

Furthermore, the department performs an accounting function for all gold and foreign-exchange transactions in accordance with the South African Reserve Bank Act.

Legal Services Department

The department renders a comprehensive and centralised legal and insurance service to the South African Reserve Bank Group that proactively keeps abreast of progressive developments in a changing environment. To provide and initiate a professional legal service, the functions performed by this department encompass furnishing legal opinions, drafting and negotiating contracts, managing litigation and alternative dispute-resolution proceedings as well as drafting legislation, conducting legal research, performing legal administrative services, managing commercial contracts, managing the Bank's register of shareholders and insurance portfolio and providing a selective legal advice service to staff and pensioners, as well as the subsidiaries of the Bank.

The Bank's Group short-term insurance portfolio was restructured, resulting in the liquidation of both the off-shore captive insurer and the local cell captive facility and the incorporation of a wholly owned on-shore captive insurance company, namely the South African Reserve Bank Captive Insurance Company Limited (SARBCIC).

The department also successfully negotiated and drafted a significantly greater number of commercial contracts relating to the Bank's various building and renovation projects, Project Imali and information technology transactions, including STRATE. Members of the department were increasingly required to assist clients in the negotiation of claims, disputes and other commercial matters and were involved in transactions at a strategic level. Legal advice was provided on a wide range of matters, including the formation of the Employment Equity Consultative Body, procurement matters and various Bank policies.

A new section, named the Intellectual Property and Cyberlaw Section was established during the year. It was decided that the functions relating to the Bank's register of shareholders should remain vested in the department and it would continue to manage this register.

Money and Capital Market Department

The primary responsibility of the department is to implement the Reserve Bank's monetary policy decisions. This entails refinancing the banks' liquidity requirements through repurchase transactions and other facilities such as the averaging of cash reserves or marginal lending, as well as managing liquidity in the money market through open-market operations. Other functions of the department include participating in the formulating of government debt-management strategies, administering the auctions of government bonds and Treasury bills, and assisting National Treasury with the surveillance of primary dealers in government bonds. As part of its ongoing activities, the department also contributes to the development and efficient functioning of the financial markets in South Africa by proactively participating in these markets.

The following initiatives, however, merit special mention:

- An extensive research project was conducted on ways of improving the functioning of the Bank's refinancing system, and how modifications to this system could enhance the functioning of the interbank market as well. This project involved the South African banking sector and other money-market participants, and also incorporated opinions and advice from international institutions and other central banks. The proposed changes have been approved in principle and will be implemented in the course of the 2001/02 financial year.
- Treasury bills were successfully immobilised. This step substantially reduces the operational risk inherent in transactions in this instrument and contributes to liquidity in the money market. In addition, Reserve Bank debentures are to be immobilised by the end of April 2001. The department also actively participates in the initiative of the Treasury Operations Forum to dematerialise all money-market instruments in South Africa.

National Payment System Department

The department is responsible for the overall management and oversight function of the national payment system (NPS). It supports the mission of the Bank by ensuring the overall effectiveness and integrity of the payment system.

Significant progress was made in the course of this year in reducing settlement risk. Payment and clearing house agreements were drafted and signed in 2000 and measures have been introduced to further reduce the number of high-value payments in the retail payment streams. After intensive consultation with the banking industry, the same-day settlement of all payments is to be introduced on 7 May 2001 in the interbank real-time settlement system (SAMOS). International research was conducted into the roles and responsibilities of the Reserve Bank in the financial markets infrastructure. This investigation arose primarily from the Bank's desire to reduce settlement risk in exchange transactions and to achieve delivery-versus-payment.

The department continued to lead the project to develop the payment system capacity of SADC countries, and the project is now progressing to the business and technical specification phase. Cross-border payment practices and arrangements in the Common Monetary Area are still being addressed to align those practices and arrangements with the South African NPS principles.

In line with central banks around the world, the department is monitoring and keeping abreast of developments in electronic money (e-money). Workshops were facilitated to enhance the inter-operability of systems and co-operation between the government and private sector.

Research Department

The department supports economic policy formulation by providing accurate macro-economic information and advice. The department collects statistical information and conducts economic research into the latest developments in the South African economy.

The department provides extensive economic statistics and other information to all interested parties. To this end, the department has established and maintains an extensive and well-documented database, as well as an effective information dissemination mechanism.

During the year under review, the department implemented the inflation-targeting framework. All divisions contributed to the detailed reporting system for the Monetary Policy Committee. In line with international practice in inflation-targeting countries, the Monetary Policy Research Unit prepared the *Monetary Policy Review*, published for the first time in March 2001. This review and a summarised version will be published twice a year to coincide with the Bank's Monetary Policy Forums.

Reviews on economics were published in the *Quarterly Bulletin* and *Annual Economic Report*. Reviews on domestic and international economic conditions were presented at the meetings of the Monetary Policy Committee, the Board of the Bank, the Governors' Committee and the Monetary Policy Implementation Committee. Senior staff members also participated in the Monetary Policy Forums and made presentations on economic developments and issues to the national Portfolio Committee on Finance and various other interest groups.

There was further progress with meeting the standards of macroeconomic frameworks such as the System of National Accounts, the *Balance of Payments Manual*, the Government Financial Statistics and the National Financial Account. The Public Finance Division was involved in training public officials in the use of the Vulindlela system for capturing and processing government transactions and in starting the migration to accrual accounting. Further refinements to analyses of the bond market and the redesigning of bank reporting forms enhanced the department's capacity to report on activities in the financial sector.

South African Reserve Bank College

The college was established to upgrade the central banking skills of individuals to the highest level, in order to support the mission of the Bank and that of other central banks in the SADC region by offering a variety of learning opportunities itself or in conjunction with other training institutions.

During the year under review the college played an active role in the activities of the SADC Training and Development Forum. In addition, the college presented numerous courses to staff of the Bank and to staff of private-sector and tertiary education institutions in South Africa.

During the period under review, the college also actively participated with the Bank Sector Education and Training Authority to develop learnerships for the banking sector. It co-operated with the Human Resources Department of the Bank to develop unit standards (competencies) and assessment guides for the line departments.

The college provides training for the Bank's cadet programme. The programme is accredited by the Institute of Bankers of South Africa. Eight of the cadets were appointed in the Bank.

In addition to its other international strategic partners, the college has established ties with the Banque de France and the two institutions plan to present jointly a course on introduction to derivatives later this year.

Staff complement as at 31 March 2001

	Number
Executive management	43
Bank supervision	85
Business systems and technology	158
Corporate services	247
Currency and protection services (including branches)	952
Exchange control	149
Financial services	71
Human resources	52
Internal audit	43
International banking	62
Legal services	30
Money and capital market	40
National payment system	23
Research	138
SARB College, including cadets	40
Total staff complement	2 133

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 26 to 50 for the year ended 31 March 2001. 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

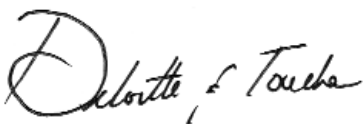
We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- 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 these financial statements fairly present, in all material respects, the financial position of the group and the Bank at 31 March 2001, and of the results of their operations and cash flows for the year ended on that date in accordance with South African Statements of Generally Accepted Accounting Practice and the manner required by the South African Reserve Bank Act, No 90 of 1989, and regulations thereunder.



Deloitte & Touche



PricewaterhouseCoopers Inc

Joint auditors

Registered Accountants and Auditors
Chartered Accountants (SA)
Pretoria
1 June 2001

Directors' report

Introduction

The directors present the Bank's eighty-first annual report for the year ended 31 March 2001.

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 statements have been prepared on the going concern basis taking cognisance of certain unique aspects relating to the Bank's ability to create and withdraw domestic currency, its role as lender of last resort and its responsibilities in the area of financial stability, as well as its relationship with the government concerning foreign exchange and gold transactions.

The annual financial statements set out in this report have been prepared by management in accordance with South African Statements of Generally Accepted Accounting Practice in all material respects. They 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 act as "lender of last resort" 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 Bank's financial statements 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 12 to 14.

Nature of business

The South African Reserve Bank is the central bank of the Republic and is regulated in terms of an Act of Parliament. The primary object 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 2 and 3.

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 (Pty) Limited produces banknotes;
- South African Mint Company (Pty) 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.

Consolidation

Previously the Bank did not present consolidated financial statements because the business and accounting policies followed by the Bank and its subsidiaries differed materially. Accounting policies have now been harmonised throughout the group to facilitate the preparation of group financial statements.

Achievement of objectives

The Bank's achievements in respect of its objectives, including the attainment 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 28 August 2001. This address receives extensive media coverage and is made available to shareholders and other interested parties.

In 1989, the Bank adopted as its prime policy objective the reduction of inflation. At the beginning of 1998, this objective was restated to achieve a rise in the core inflation rate of between 1 and 5 per cent per year. During February 2000, the Minister of Finance announced a new framework for the conduct of monetary policy. The Bank's actions now directly target inflation as measured by the CPIX, i.e. headline inflation excluding mortgage bond rates in metropolitan and other urban areas. The target agreed on between the Minister of Finance and the Governor is to achieve a CPIX rate of between 3 and 6 per cent on average in calendar year 2002. Current projections show that this target is achievable.

The Bank is restructuring its workforce composition in terms of targets set in its HR 2005 Plan in order to reflect more closely the demographics of the population. The Bank is committed to reducing its net open foreign currency position as soon as is practically possible without adversely affecting domestic markets. Good progress has been made in this regard but care has to be taken not to induce speculation against the currency by being too predictable. Market conditions affecting emerging-market countries such as South Africa, were not conducive to the rapid reduction of the open position during the year under review. Another major initiative of the Bank, namely, taking over from the banking industry certain bulk cash-handling functions, have come on stream during the year and full implementation will continue over the next few years.

Strategic planning is performed annually with a medium-term time horizon. The strategic planning culminates in operational plans, objectives and budgets which are monitored regularly by the budget committee and Governors' Committee. The Bank has formulated its vision for the year 2010, which will guide future strategic planning. The Bank's achievements will be measured against this vision.

Financial results

The income statement appears on page 32.

All remaining profits of the Bank, after transfers to reserves and dividends paid, are paid to the Government in terms of the South African Reserve Bank Act. 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 2001	317 870	291 575
31 March 2000	344 355	311 314

Dividends

The directors approved a final dividend of 5 cents per share in terms of the South African Reserve Bank Act which, together with the interim dividend paid of 5 cents, amounted to 10 cents per share for the year (2000: 10 cents).

Property, plant and equipment

The Bank has traditionally adopted a policy of providing for capital expenditure by making transfers to a property and equipment reserve and charging capital expenditure incurred during any year to this reserve. This policy had been applied to fund capital expenditure as the Bank remits 90 per cent of its unappropriated profits to Government annually. As this policy does not accord with South African Statements of Generally Accepted Accounting Practice (GAAP), the Bank has decided to adopt GAAP fully and to state property, plant and equipment at cost less depreciation as from 1 April 2000. Comparative figures have been restated in accordance with the new policy, effectively accounting for the full implementation of GAAP from 1 April 1999 (refer to Note 2 to the financial statements).

Directors

The composition of the Board of directors is set out on page 6.

The term of office of Mr T T Thahane expired on 31 March 2001 when he retired from the service of the Bank.

The Bank regrets to announce that Prof Bax Dale Nomvete passed away on 1 August 2000.

There are currently three vacancies on the Board, one for a deputy governor and two for representatives of Government.

Direct and indirect shareholding of directors on 31 March 2001

	Number of shares
Direct shareholding	510
Indirect shareholding	0
	510

Subsidiaries

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

	Authorised and issued share capital		Shares at cost		Indebtedness to/(by) Reserve Bank	
	Number of shares	Percentage held	2001 R'000	2000 R'000	2001 R'000	2000 R'000
	2001 '000	2001 Per cent				
Corporation for Public Deposits	2 000	100	2 000	2 000	110 042	110 384
South African Mint Company (Pty) Limited	60 000	100	206 000	206 000	2	0
South African Bank Note Company (Pty) Limited	61 000	100	61 000	61 000	12 218	12 218
South African Reserve Bank Captive Insurance Company Limited	7	100	10 000	0	0	0
South African Reserve Bank Insurance Company Limited	28 944	0	0	3 601	0	0
Total			279 000	272 601	122 262	122 602

During the year the offshore subsidiary, SA Reserve Bank Insurance Company Limited was deregistered and replaced by a locally registered company, SA Reserve Bank Captive Insurance Company Limited.

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

	Bank	
	2001 R million	2000 R million
Aggregate profits	82	54

Post balance sheet events

There was no event subsequent to the balance sheet date that has a significant effect on the financial statements.

Secretary

Ms Z R Matsau

Business address:

370 Church Street
Pretoria
0002

Postal address:

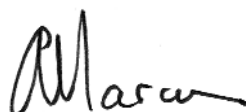
PO Box 427
Pretoria
0001

The financial statements were approved by the Board of directors on 1 June 2001 and signed on its behalf by:



T T Mboweni

Governor



G Marcus

Deputy Governor



F Jakoet

Director



I J Moolman

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 2001, have been correctly completed and are up to date.



Z R Matsau

Secretary

1 June 2001

Balance sheet as at 31 March 2001

	Notes	Group		Bank	
		2001 R'000	2000 R'000	2001 R'000	2000 R'000
Assets					
Property, plant and equipment	3	695 755	699 881	532 980	533 037
Investment in subsidiaries	4	0	0	401 262	345 450
Loans and advances	5	72 754	74 861	72 754	74 861
Investments	6	4 861 159	5 439 707	0	0
Amounts due by Government	7	19 554 793	10 591 094	19 554 793	10 591 094
Gold and foreign exchange	8	60 345 398	48 451 015	60 345 398	48 451 015
Accommodation to banks	9	10 607 698	7 961 396	10 607 698	7 961 396
Internal registered bonds	10	6 778 388	6 259 498	6 778 388	6 259 498
Debtors and other accounts		692 435	662 164	650 379	620 665
Inventories	11	142 749	102 080	0	0
Cash and cash equivalents	12	77 467	63 559	0	0
Deferred tax asset	17	714	17 527	0	0
Total assets		103 829 310	80 322 782	98 943 652	74 837 016
Liabilities and equity					
Liabilities					
Notes and coin issued	13	29 633 857	27 642 626	29 633 857	27 642 626
SA Reserve Bank bills	14	3 725 000	3 000 000	3 725 000	3 000 000
Deposit accounts	15	45 137 866	29 403 764	40 701 185	24 340 877
Foreign loans	16	20 765 980	16 453 990	20 765 980	16 453 990
Deferred tax liability	17	2 610	2 588	1 854	2 047
Creditors and other accounts		501 550	466 330	385 259	367 661
Total liabilities		99 766 863	76 969 298	95 213 135	71 807 201
Equity					
Share capital	18	2 000	2 000	2 000	2 000
Statutory reserve fund		335 196	302 799	335 196	302 799
Other reserves	19	3 709 083	3 005 514	3 393 321	2 725 016
Accumulated profit		16 168	43 171	0	0
Total equity		4 062 447	3 353 484	3 730 517	3 029 815
Total liabilities and equity		103 829 310	80 322 782	98 943 652	74 837 016

Income statement for the year ended 31 March 2001

	Notes	Group		Bank	
		2001 R'000	2000 R'000	2001 R'000	2000 R'000
Interest income		4 289 372	3 187 790	3 892 423	2 720 130
Interest expense		3 168 387	2 328 257	2 817 813	1 913 107
Net interest income		1 120 985	859 533	1 074 610	807 023
Other income	20.1	1 534 175	1 067 774	1 421 991	914 818
Total income		2 655 160	1 927 307	2 496 601	1 721 841
Operating costs		1 202 445	1 027 680	1 099 299	913 267
Personnel costs		490 018	414 831	388 378	336 554
Other operating costs	20.2	712 427	612 849	710 921	576 713
Profit before tax		1 452 715	899 627	1 397 302	808 574
Tax	21	425 682	226 983	404 825	215 749
Profit after tax		1 027 033	672 644	992 477	592 825
Dividend per share (cents)	22	10,0	10,0	10,0	10,0

Cash flow statement for the year ended 31 March 2001

Notes	Group		Bank		
	2001 R'000	2000 R'000	2001 R'000	2000 R'000	
Cash flows from operating activities					
Cash expended on operating activities	23	(1 522 372)	(961 034)	(1 037 130)	(1 290 453)
Tax paid		(557 595)	(277 453)	(550 177)	(264 824)
Dividend paid		(200)	(200)	(200)	(200)
Transfers to Government		(344 355)	(282 687)	(311 314)	(281 626)
Net cash expended on operations		(2 424 522)	(1 521 374)	(1 898 821)	(1 837 103)
Cash flows from financing activities					
Notes and coin issued		1 991 231	1 901 054	1 991 231	1 901 054
Cash flow from/(utilised by) investment activities		447 199	(322 849)	(92 410)	(63 951)
Purchase of property, plant and equipment		(69 375)	(149 099)	(49 043)	(125 960)
Disposal of property, plant and equipment		1 843	1 723	1 437	1 310
Investments disposed/(acquired)		578 547	(174 373)	0	0
Internal registered bonds purchased		(63 816)	(1 100)	(63 816)	(1 100)
Liquidation of subsidiary		0	0	28 672	0
Investment in subsidiaries		0	0	(9 660)	61 799
Net increase in cash and cash equivalents		13 908	56 831	0	0
Cash and cash equivalents at beginning of the year		63 559	6 728	0	0
Cash and cash equivalents at the end of the year	12	77 467	63 559	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 2001

	Accumulated profit R'000	Share capital R'000	Statutory reserves R'000	Other reserves R'000	Total R'000
Balance at 31 March 1999	2 024	2 000	268 209	2 283 830	2 556 063
Adjustment due to changes in accounting policy	10 269	0	0	459 063	469 332
Adjusted balance at 31 March 1999	12 293	2 000	268 209	2 742 893	3 025 395
Profit after tax	672 644				672 644
Transfer to Government	(344 355)				(344 355)
Transfer to reserves	(297 211)		34 590	262 621	0
Dividends paid	(200)				(200)
Balance at 31 March 2000	43 171	2 000	302 799	3 005 514	3 353 484
Profit after tax	1 027 033				1 027 033
Transfer to Government	(317 870)				(317 870)
Transfer to reserves	(735 966)		32 397	703 569	0
Dividends paid	(200)				(200)
Balance at 31 March 2001	16 168	2 000	335 196	3 709 083	4 062 447

Explanatory notes

Statutory reserve

The statutory reserve fund is maintained in terms of section 24 of the South African Reserve Bank Act, which stipulates that one-tenth of the profit after transfers to reserves and payment of dividends has to be credited to the statutory reserve fund.

Transfer to Government

In terms of section 24 of the South African Reserve Bank Act, nine-tenths of the surplus remaining after transfers to reserves and payment of dividends is paid to the Government.

In terms of section 15 of the Corporation for Public Deposits Act, the balance of net profits after transfers to reserves and payment of dividends is paid to the Government.

Statement of changes in equity: Bank

For the year ended 31 March 2001

	Accumulated profit R'000	Share capital R'000	Statutory reserves R'000	Other reserves R'000	Total R'000
Balance at 31 March 1999	0	2 000	268 209	2 030 404	2 300 613
Adjustment due to change in accounting policy	(11 172)	0	0	459 063	447 891
Adjusted balance at 31 March 1999	(11 172)	2 000	268 209	2 489 467	2 748 504
Profit after tax	592 825				592 825
Transfer to Government	(311 314)				(311 314)
Transfer to reserves	(270 139)		34 590	235 549	0
Dividends paid	(200)				(200)
Balance at 31 March 2000	0	2 000	302 799	2 725 016	3 029 815
Profit after tax	992 477				992 477
Transfer to Government	(291 575)				(291 575)
Transfer to reserves	(700 702)		32 397	668 305	0
Dividends paid	(200)				(200)
Balance at 31 March 2001	0	2 000	335 196	3 393 321	3 730 517

Explanatory notes

Statutory reserve

The statutory reserve fund is maintained in terms of section 24 of the South African Reserve Bank Act, which stipulates that one-tenth of the profit after transfers to reserves and payment of dividends has to be credited to the statutory reserve fund.

Transfer to Government

In terms of section 24 of the South African Reserve Bank Act, nine-tenths of the surplus remaining after transfers to reserves and payment of dividends is paid to the Government.

Notes to the financial statements

1. Accounting policies

The following are the principal accounting policies of the group which are consistent in all material respects with those applied in the previous year, except for the changes stated in Note 2. The financial statements have been prepared on the historic cost basis, except for certain financial instruments. Foreign loans and trading assets and liabilities are stated at fair value at balance sheet date.

1.1 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 surpluses and deficits on transactions between Group companies have been eliminated.

Where necessary, comparative figures have been reclassified and restated for disclosure purposes.

1.2 Financial instruments

Measurement

Financial instruments are initially measured at cost which includes transaction costs. Subsequent to initial recognition, all instruments are measured at fair value except for the instruments set out below. Where appropriate, the particular recognition methods adopted are disclosed in the individual policy statements and notes associated with each item.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less provision for losses where appropriate.

Gold coin and bullion

Gold coin and bullion are valued at 90 per cent of the average of the last 10 gold price fixings determined on the London gold market before the year-end.

SA Reserve Bank bills

The liability in respect of SA Reserve Bank bills outstanding is stated as the amount of the consideration received at date of issue. Due to the short-term nature of these instruments, the fair value approximates the issue value thereof, regardless of interest rate fluctuations. Interest is accrued on a day-to-day basis.

1.3 Property, plant and equipment and depreciation

Property, plant and equipment are initially recorded at cost. Land is not depreciated. Depreciation is calculated on the straight line method to write off the cost of each asset to its residual value over its expected useful life as follows:

- With the exception of the factory building of the SA Bank Note Company, property and buildings are not depreciated as they are maintained in order to retain their value over time. The factory of the Bank Note Company is depreciated over 50 years. Furniture, plant and equipment and vehicles are depreciated over 2 to 25 years. Computer software is expensed as incurred. The cost of renewal and maintenance of assets is expensed as incurred.

The recorded value of depreciated assets is periodically compared to the anticipated recoverable amount of assets if the assets were to be sold. Where the value of assets have declined below the carrying amount, and the decline is expected to be permanent, the decline is recognised as an expense.

1.4 Foreign currency activities

Assets and liabilities in foreign currencies are converted to rands at the rates ruling at the close of the financial year. Exchange profits and losses of the Bank are for the account of the Government and are transferred to the gold and foreign exchange contingency reserve account. Exchange profits and losses of the subsidiary companies are charged to the income statement.

1.5 Taxation

The charge for current tax is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been enacted by the balance sheet date.

Deferred tax is accounted for by using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. In principle, deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be off-set.

1.6 Pension and retirement funds

The expected costs of post-retirement benefits under defined benefit and defined contribution schemes are charged to income over the service lives of the employees entitled to these benefits according to the projected 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.

The SA Bank Note Company (Pty) Limited, a wholly owned subsidiary of the Bank, applies the revised South African Statement of Generally Accepted Accounting Practice, Statement AC 116 on Employee benefits. This statement requires that a different actuarial valuation method be used, namely the projected Unit Credit method. The new statement comes into effect from 31 December 2001, and will be applied by the Bank from next year onwards.

1.7 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 liability for the Bank's contributions to the scheme is, in respect of current pensioners, provided for by means of an on-balance-sheet reserve. The liability in respect of future pensioners is provided for by means of an insurance policy. The magnitude of both liabilities is based on actuarial valuations.

1.8 Sale and repurchase agreements

Securities purchased under agreements to resell are recorded as funds receivable under the heading: "Accommodation to banks". Likewise, securities sold under agreement to repurchase are disclosed as deposits received. The differences between the purchase and sale prices are treated as interest and accrued evenly over the life of repurchase and reverse repurchase agreements.

1.9 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, which is based on the assumption that raw materials and work in progress will become finished goods for sale.

Redundant and slow moving stocks are identified and written down to their estimated economic or realisable values. Raw materials are valued according to the first-in, first-out basis by the SA Mint. 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. Included in consumable stores are insurance spares that are written off over five years.

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.

1.10 Cash flow

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

1.11 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.

2. Changes in accounting policies

Previously, it was the Bank's accounting policy to provide for expenditure on fixed assets by transferring funds from the income statement to a fixed property and equipment reserve and to write off expenditure on fixed assets when incurred against the reserve.

In order to comply with GAAP, the accounting policy has been changed and the opening net asset values and accumulated reserves have been restated, taking into account original cost and accumulated depreciation since acquisition. Comparative figures have been restated.

	Group		Bank	
	2001 R'000	2000 R'000	2001 R'000	2000 R'000
Increase/(decrease) in net profit:				
Gross	(47 108)	(51 986)	(47 108)	(51 986)
Deferred tax	(17 444)	5 211	193	9 125
Net	(64 552)	(46 775)	(46 915)	(42 861)
Increase/(decrease) in accumulated profit:				
Gross	0	0	0	0
Deferred tax	(110)	17 527	0	0
Net	(110)	17 527	0	0

In order to comply with AC102 (revised), a subsidiary has raised a deferred tax asset and restated its comparative figures.

The changes in the Bank's accounting policy had no effect on accumulated profits as an offsetting change has been made to the transfers to reserves of the Bank.

3. Property, plant and equipment

3.1 Group

	Land and buildings At cost R'000	Plant, vehicles, furniture and equipment At cost R'000	Work in progress At cost R'000	Total R'000
Cost				
Cost at 31 March 2000	424 040	892 979	20 278	1 337 297
Additions/reclassifications	10 050	17 383	41 942	69 375
Disposals	0	(21 517)	(190)	(21 707)
Cost at 31 March 2001	434 090	888 845	62 030	1 384 965
Accumulated depreciation				
Balance at 31 March 2000	26 148	611 268	0	637 416
Charge for the year	599	70 511	0	71 110
Written back on disposals during the year	0	(19 316)	0	(19 316)
Balance at 31 March 2001	26 747	662 463	0	689 210
Net book value at 31 March 2001	407 343	226 382	62 030	695 755
Net book value at 31 March 2000	397 892	281 711	20 278	699 881

3.2 Bank

	Land and buildings At cost R'000	Plant, vehicles, furniture and equipment At cost R'000	Work in progress At cost R'000	Total R'000
Cost				
Cost at 31 March 2000	304 286	486 635	20 278	811 199
Additions/reclassifications	9 957	(2 855)	41 942	49 044
Disposals	0	(11 806)	(190)	(11 996)
Cost at 31 March 2001	314 243	471 974	62 030	848 247
Accumulated depreciation				
Balance at 31 March 2000	0	278 162	0	278 162
Charge for the year	0	47 108	0	47 108
Written back on disposals during the year	0	(10 003)	0	(10 003)
Balance at 31 March 2001	0	315 267	0	315 267
Net book value at 31 March 2001	314 243	156 707	62 030	532 980
Net book value at 31 March 2000	304 286	208 473	20 278	533 037

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

4. Investment in subsidiaries

	Bank	
	2001 R'000	2000 R'000
Shares	279 000	222 848
Corporation for Public Deposits – at cost	2 000	2 000
South African Mint Company (Pty) Limited – at cost (2000 – less provision for loss)	206 000	156 247
South African Bank Note Company (Pty) Limited – at cost	61 000	61 000
South African Reserve Bank Captive Insurance Company Limited – at cost	10 000	0
South African Reserve Bank Insurance Company Limited – at cost	0	3 601
Loan – South African Bank Note Company (Pty) Limited	12 218	12 218
Current accounts	44	1
Corporation for Public Deposits	42	1
South African Mint Company (Pty) Limited	2	0
Deposit account		
Corporation for Public Deposits	110 000	110 383
	401 262	345 450

The loan to the South African Bank Note Company is unsecured with no fixed repayment terms. Currently the loan bears no interest.

	Group		Bank	
	2001 R'000	2000 R'000	2001 R'000	2000 R'000
5. Loans and advances				
Secured foreign loans				
Repayable by 31 December 2001 if not renegotiated. The loan is secured by a pledge of South African Treasury bills and bears interest at the repo rate.	72 254	74 111	72 254	74 111
Repayable in two instalments of R250 000 each on 31 December 2001 and 2002. The loan is secured by a government guarantee and earns interest at 3 per cent per annum.	500	750	500	750
	72 754	74 861	72 754	74 861
6. Investments				
Short-term South African money-market investments	4 688 597	5 306 031	0	0
Portfolio investments (Market value – R179 282: 2000 – R119 538)	172 562	133 676	0	0
	4 861 159	5 439 707	0	0

	Group		Bank	
	2001 R'000	2000 R'000	2001 R'000	2000 R'000
7. Amounts due by Government				
Gold and foreign-exchange contingency reserve account	18 169 585	9 200 355	18 169 585	9 200 355
IMF accounts administered on behalf of Government	799 587	799 852	799 587	799 852
Government of Namibia debt taken over by Government	585 621	590 887	585 621	590 887
	19 554 793	10 591 094	19 554 793	10 591 094
The gold and foreign-exchange contingency reserve account which is operated in terms of section 28 of the South African Reserve Bank Act, represents the net amount due to the Bank by the Government in respect of realised profits and losses incurred on gold and foreign exchange transactions. The amounts due are interest free and no fixed repayment terms have been agreed on.				
8. Gold and foreign exchange				
Gold coin and bullion	11 026 542	6 609 965	11 026 542	6 609 965
Foreign exchange	49 318 856	41 841 050	49 318 856	41 841 050
	60 345 398	48 451 015	60 345 398	48 451 015
The foreign exchange is primarily invested in short-term US dollar money-market instruments.				
9. Accommodation to banks				
Repurchase agreements	9 900 000	7 140 000	9 900 000	7 140 000
Application of cash reserve balances	707 698	821 396	707 698	821 396
	10 607 698	7 961 396	10 607 698	7 961 396
Repurchase agreements are treated as advances and are secured by financial instruments valued at a premium at the time of the transaction. The Bank has the right to call for additional collateral should the value of the securities decline during the tenure of the contract. All repurchase agreements expire within seven days of the transaction date.				

	Group		Bank	
	2001 R'000	2000 R'000	2001 R'000	2000 R'000
10. Internal registered bonds				
Government bonds: zero coupon	1 253 894	3 299 722	1 253 894	3 299 722
Government bonds: interest bearing	5 524 494	2 959 776	5 524 494	2 959 776
	6 778 388	6 259 498	6 778 388	6 259 498
The zero-coupon bonds have no set repayment date, but the Bank has the right to have them converted to bonds valued at the face value of the zero-coupon bonds should it be required for monetary policy implementation. These bonds have therefore been valued at their nominal value. The interest bearing bonds represent previously converted zero-coupon bonds and have been employed to secure reverse repurchase agreements entered into with banks. These bonds are shown at fair market values (refer to Note 15).				
11. Inventories				
Raw materials	48 056	39 892	0	0
Work in progress	50 165	36 905	0	0
Consumable stores	6 187	5 340	0	0
Maintenance spares	4 391	4 182	0	0
Finished goods	34 182	16 292	0	0
Less: Provision for obsolescence	(232)	(531)	0	0
	142 749	102 080	0	0
12. Cash and cash equivalents				
Bank and cash balances	77 467	63 559	0	0
13. Notes and coin issued				
Notes	27 754 863	25 826 927	27 754 863	25 826 927
Coin	1 878 994	1 815 699	1 878 994	1 815 699
	29 633 857	27 642 626	29 633 857	27 642 626

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 no longer represent currency in circulation.

	Group		Bank	
	2001 R'000	2000 R'000	2001 R'000	2000 R'000
14. SA Reserve Bank bills	3 725 000	3 000 000	3 725 000	3 000 000
SA Reserve Bank bills are issued to the market on tender, normally for 28-day terms. Details of the bills in issue at 31 March 2001 are as follows:				
Maturity date	Interest rate Per cent	Capital R million		
4 April 2001	10,41	1 000		
11 April 2001	10,41	1 000		
18 April 2001	10,43	885		
25 April 2001	10,48	840		
15. Deposit accounts				
<i>Non-interest bearing</i>	12 646 419	11 370 352	12 646 419	11 370 352
Banks' reserve accounts	9 730 265	8 568 990	9 730 265	8 568 990
Government current accounts	2 774 818	2 459 709	2 774 818	2 459 709
Other current accounts	141 336	341 653	141 336	341 653
<i>Interest bearing</i>	32 491 447	18 033 412	28 054 766	12 970 525
Reverse repurchase agreements	5 425 000	3 013 015	5 425 000	3 013 015
Money market swaps with banks	22 629 766	9 957 510	22 629 766	9 957 510
Call deposits	4 436 681	5 062 887	0	0
	45 137 866	29 403 764	40 701 185	24 340 877
The reverse repurchase agreements are secured by government bonds valued at R5 524 million (2000 – R2 960 million).				
16. Foreign loans	20 765 980	16 453 990	20 765 980	16 453 990
Foreign loans represent credit lines utilised which bear interest at market-related rates.				
17. Deferred tax				
<i>Deferred tax asset</i>	(714)	(17 527)	0	0
At beginning of the year	(17 527)	(21 441)	0	0
Income statement charge	16 813	3 914	0	0
<i>Deferred tax liability</i>	2 610	2 588	1 854	2 047
At beginning of the year	2 588	9 651	2 047	11 172
Income statement charge	22	(7 063)	(193)	(9 125)
<i>Net deferred tax liability/(asset)</i>	1 896	(14 939)	1 854	2 047
Deferred tax (assets) and liabilities and charged/(credited) to the income statement are attributed to the following:				

	31 March 2001	Transfer from/(to) income statement	31 March 2000
Property, plant and equipment	9 376	(212)	9 588
Post-retirement medical subscriptions	(3 900)	(206)	(3 694)
Disability benefit provision	(158)	0	(158)
Provisions	(2 887)	289	(3 176)
Deferred retirement fund contributions	(725)	1 725	(2 450)
Deferred development costs	(2 100)	(1 190)	(910)
Prepaid expenditure	5 258	(836)	6 094
Tax loss	(1 319)	17 630	(18 949)
Other	(1 649)	(365)	(1 284)
	1 896	16 835	(14 939)

17.2 Bank

Deferred retirement fund contributions	(725)	1 725	(2 450)
Deferred development costs	(2 100)	(1 190)	(910)
Employee housing allowance	7	0	7
Prepaid expenditure	4 672	(728)	5 400
	1 854	(193)	2 047

	Group		Bank	
	2001 R'000	2000 R'000	2001 R'000	2000 R'000
18. Share capital	2 000	2 000	2 000	2 000
Authorised and issued 2 000 000 shares of R1 each				
19. Other reserves				
Contingency reserve	3 363 624	2 694 016	3 283 321	2 615 016
Pensioners' medical aid reserve	110 000	110 000	110 000	110 000
Plant replacement reserve	235 459	201 498	0	0
	3 709 083	3 005 514	3 393 321	2 725 016

	Group		Bank	
	2001 R'000	2000 R'000	2001 R'000	2000 R'000
20. Operating profit				
20.1 Other income is stated after crediting				
Reduction in provision for loss in subsidiary			49 753	12 348
Income from investments:				
Dividends	13 719	11 153	11 290	9 850
Profit on government bonds	455 074	75 176	455 074	75 176
Profit on foreign investments	278 057	153 189	278 057	153 189
Income from subsidiaries			11 368	13 146
Dividends			200	200
Interest			10 662	12 502
Administration fees			506	444
Commission on banking services	585 599	633 415	585 599	633 415
Surplus on liquidation of subsidiary	0	0	25 071	0
20.2 Personnel and other operational costs are stated after charging				
Directors' remuneration			5 657	6 541
From the Bank for services as directors			503	597
From the Bank for other services			5 154	5 944
Depreciation	71 110	71 194	47 108	49 825
Loss on disposal of fixed assets	547	878	555	851
Auditors' remuneration	2 539	2 534	1 957	1 673
Audit fee	2 477	2 218	1 953	1 673
Overprovision for previous year	(50)	(26)	0	0
Fees for other services	93	332	0	0
Expenses	19	10	4	0
Pension and Retirement Fund contributions	35 118	39 120	31 891	32 965
Normal	33 056	31 870	29 829	25 715
Additional	2 062	7 250	2 062	7 250
21. Tax				
South African normal tax				
Current tax	408 847	249 290	405 018	244 032
Over-provision in respect of prior years	0	(19 158)	0	(19 158)
Deferred tax	16 835	(3 149)	(193)	(9 125)
	425 682	226 983	404 825	215 749
<i>Reconciliation of tax rate</i>				
South African normal tax rate	30,00%	30,00%	30,00%	30,00%
Adjusted for:				
Disallowable expenses	0,03%	0,01%	0,04%	0,01%
Exempt income and special deductions	-0,73%	-0,74%	-1,07%	-0,76%
Effect of tax rate change on deferred tax	0,00%	-0,18%	0,00%	-0,20%
Utilisation of tax loss	0,00%	-2,11%	0,00%	0,00%
Effective tax rate	29,30%	26,98%	28,97%	29,05%

	Group		Bank	
	2001 R'000	2000 R'000	2001 R'000	2000 R'000
22. Dividends per share				
Dividends are calculated at 10 cents per share	200	200	200	200
Dividends were declared as follows: Interim dividend of 5 cents per share was declared on 30 September 2000 and paid on 27 October 2000. Final dividend of 5 cents per share was declared on 6 April 2000 and paid on 11 May 2001.				
Earnings per share have not been calculated as the shares qualify for a maximum dividend of 10 cents per share in terms of the South African Reserve Bank Act.				
23. Cash generated from operations				
Reconciliation of profit before tax to cash generated from operations:				
Profit before tax	1 452 715	899 627	1 397 302	808 574
Adjustments for:				
Depreciation	71 110	71 194	47 108	49 825
Net loss on disposal of fixed assets	547	878	555	851
Unrealised foreign-exchange loss	41	(58)	0	0
Employee benefits accrual	687	779	0	0
Profit on liquidation of subsidiary	0	0	(25 071)	0
Reversal of provision for losses in subsidiary	0	0	(49 753)	(12 348)
Unrealised profit on revaluation of internal registered bonds	(455 074)	(85 174)	(455 074)	(85 174)
Net cash generated by operating activities	1 070 026	887 246	915 067	761 728
Changes in working capital:				
Loans and advances	2 107	(9 172)	2 107	(9 172)
Amounts due by Government	(8 963 699)	5 301 527	(8 963 699)	5 301 527
Gold and foreign exchange	(11 894 383)	(15 565 406)	(11 894 383)	(15 565 406)
Accommodation to banks	(2 646 302)	(2 649 727)	(2 646 302)	(2 649 727)
Debtors and other accounts	113 696	(381 214)	115 449	(323 526)
Inventories	(40 669)	29 642	0	0
SA Reserve Bank bills	725 000	(900 000)	725 000	(900 000)
Deposit accounts	15 734 102	13 761 779	16 360 308	13 576 132
Foreign loans	4 311 990	(1 483 136)	4 311 990	(1 483 136)
Creditors and other accounts	65 760	47 427	37 333	1 127
Cash utilised by changes in working capital	(2 592 398)	(1 848 280)	(1 952 197)	(2 052 181)
Cash expended on operating activities	(1 522 372)	(961 034)	(1 037 130)	(1 290 453)

24. Retirement benefit information

The group has made provision for pension and provident plans covering substantially all employees. All employees are members of either defined benefits 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. The funds are governed by the Pension Funds Act 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, 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.
- 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 time 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 2000, when it was declared financially sound.

25. Post-retirement benefits

The Bank created a reserve to fund its liability to pay for the medical aid subscriptions of its pensioners.

During 1998 the Bank entered into an insurance policy to insure its future liability in this regard. This policy is for an initial term of five years and provides an indemnity of not less than R112,2 million. The Bank's subscriptions over the next two years will not exceed R5,4 million per annum after which the insurer will pay the excess up to the Bank's full commitment. The Bank recognises its rights under this insurance policy, net of future premium obligations, as a plan asset.

The balance remaining in the reserve covers the net liability of the Bank, i.e. the excess of the accumulated post-retirement medical benefits liability over the plan asset at fair value as at 31 March 2001. The last actuarial valuation of the liability was performed on 1 October 2000, with the current balance on the reserve being considered to be adequate. In addition, a subsidiary accrued an amount of R13 million in respect of its liability in respect of post-retirement benefits.

	Bank	
	2001 R'000	2000 R'000
<i>Pensioners' Medical Aid Reserve</i>		
Balance at the beginning of the year	110 000	110 000
Transfer from/(to) income statement	0	0
Balance at the end of the year	110 000	110 000

26. 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. There are also future commitments in respect of forward transactions and derivative financial instruments.

27. Capital commitments

	Group		Bank	
	2001 R'000	2000 R'000	2001 R'000	2000 R'000
Contracted	20 799	2 503	13 615	1 240
Not contracted	16 636	114 490	0	104 024
Total	37 435	116 993	13 615	105 264

These capital commitments will be funded from internal resources.

28. 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 4 and 5. Certain aspects of risk management specific to financial instruments are described more fully below.

- The Bank is not exposed to liquidity risk in respect of the domestic currency in view of the Bank's unique role as central bank.
- The Bank is generally not subject to significant interest rate risk emanating from the short-term repricing structure of the instruments.
- It is not appropriate to disclose liquidity information in respect of foreign assets.

29. Integrated foreign operation

The Bank had an integrated foreign operation, South African Reserve Bank Insurance Company Limited, which acted as a cell captive for insurance purposes, and operated from Guernsey. The operation was translated from US dollars to SA rands using the temporal method. The cell captive was liquidated during the year. Operations are included for the seven months ended 31 October 2000.

30. 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.

31. Segment reporting

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

Notice of ordinary general meeting 2001

Notice is hereby given that the eighty-first ordinary general meeting of the shareholders will be held at the head office of the South African Reserve Bank, 370 Church Street, Pretoria on Tuesday, 28 August 2001, at 09:00.

Agenda

1. To receive the annual financial statements and reports of the Board of directors and the auditors for the year ended 31 March 2001.
2. To elect shareholders' representatives to the Board of directors.
3. To determine the remuneration of the auditors for the past audit and to appoint auditors for the 2001/02 financial year.
4. To transact any other business to be transacted at an annual general meeting.

In terms of section 23(1) of the South African 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 enclosed 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
1 June 2001

Shareholders' calendar

Dividends

	Declared	Paid
Interim	30 September 2000	27 October 2000
Final	6 April 2001	11 May 2001

Date and time of ordinary general meeting in Pretoria: 28 August 2001 at 09:00.