

Annual Report

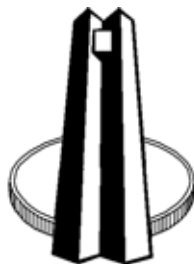
2006



South African Reserve Bank

Annual Report

2006



South African Reserve Bank

Contact details

Physical address

Head Office

370 Church Street Pretoria 0002
Telephone: (012) 313 3911

SARB College

Besembiesie Drive Montana Park 0157
Telephone: (012) 548 8000

Branches

Bloemfontein

Hoffman Square Bloemfontein 9301
Telephone: (051) 403 7500

Cape Town

25 Burg Street Cape Town 8001
Telephone: (021) 481 6700

Durban

8 Commercial Road Durban 4001
Telephone: (031) 310 9300

East London

c/o Cambridge & Union Street
East London 5201
Telephone: (043) 707 3400

Johannesburg

57 Ntemi Pilliso Street
Johannesburg 2001
Telephone: (011) 240 0700

Port Elizabeth

Market Square North Union Street
Port Elizabeth 6001
Telephone: (041) 501 6600

Pretoria North

460 Jan van Riebeeck Street
Pretoria North 0182
Telephone: (012) 521 7700

Postal address

PO Box 427 Pretoria 0001

PO Box 427 Pretoria 0001

PO Box 790 Bloemfontein 9300

PO Box 2533 Cape Town 8001

PO Box 980 Durban 4000

PO Box 435 East London 5200

PO Box 1096 Johannesburg 2000

PO Box 712 Port Elizabeth 6000

PO Box 17376 Pretoria North 0116

Contents

| | Page |
|--|----------|
| Governor's foreword | 1 |
| Composition of the Board of Directors | 2 |
| Corporate governance | 4 |
| Risk management | 8 |
| Mission statement | 10 |
| Monetary policy decision-making | 12 |
| Operational review | 14 |
| Executive management, secretary and directors | 22 |
| Senior management at 31 March 2006 | 24 |
| Organisational structure | 26 |
| Human resources report | 28 |
| Financial framework for 2006/07 | 30 |
| Report of the independent auditors | 31 |
| Directors' report for the year ended 31 March 2006 | 32 |
| Balance sheet at 31 March 2006 | 37 |
| Income statement for the year ended 31 March 2006 | 38 |
| Cash flow statement for the year ended 31 March 2006 | 39 |
| Statement of changes in equity: Group | 40 |
| Statement of changes in equity: Bank | 41 |
| Notes to the financial statements | 42 |
| Notice of ordinary general meeting 2006 | 71 |
| Shareholders' calendar | 72 |
| Proxy | attached |



Mr T T Mboweni
Governor

Governor's foreword

In the past financial year the South African Reserve Bank (the Bank) has again achieved success in the pursuit of its various strategic objectives.

The achievement and maintenance of price stability remains the primary objective of monetary policy. Consumer price inflation for metropolitan and other urban areas, excluding mortgage interest cost (CPIX), has been inside the target range of 3 to 6 per cent since September 2003. With the outlook for inflation remaining favourable and with inflation expectations declining, the repurchase rate was decreased by 50 basis points in April 2005. However, at the June 2006 Monetary Policy Committee meeting the repurchase rate was raised by 50 basis points to 7,5 per cent per annum as a result of increased risks to the inflation outlook.

Despite a growing current-account deficit, capital inflows enabled the Bank to further increase its levels of official foreign reserves, reaching US\$22 969 million at the end of March 2006, compared to US\$15 868 million at the end of March 2005. Over the same period the net reserves increased to US\$19 499 million from US\$12 381 million. With the assistance of the National Treasury, the bulk of this increase in foreign reserves was sterilised by means of a special deposit account at the Bank, ameliorating the impact on the profitability of the Bank.

Against this background the prudent and efficient management of foreign reserves has become even more important. At the end of March 2006, 81 per cent of the gross foreign reserves were managed internally, while 19 per cent were managed by external fund managers.

The Bank continued to improve the effectiveness and integrity of the national payment system and a high standard was maintained in the provision of inter-bank settlement services in the South African Multiple Option Settlement system. The settlement of the rand leg of foreign exchange transactions via the Continuous Linked Settlement system, which was implemented in December 2004, has functioned very well.

The Bank has a responsibility to ensure that the domestic banking regulatory environment incorporates international best practice. The preparation for the implementation of the new Capital Accord (Basel II) on 1 January 2008 remains a key focus area.

After the upgraded banknote series was launched in February 2005, the Bank embarked on an education and communication campaign to ensure public confidence in South Africa's banknotes. The communication campaign achieved the objective of increasing the public's vigilance in identifying counterfeit notes. Available data indicate that there has been a decrease in counterfeit notes in circulation since the introduction of the upgraded banknote series.

Mainly as a result of the accumulation of foreign reserves, the balance sheet of the Bank increased from R128 972 million at the end of March 2005 to R168 202 million at the end of March 2006. On 1 April 2005 the National Treasury made a final payment in the form of zero-coupon bonds as compensation for losses accumulated over many years in the Gold and Foreign Exchange Contingency Reserve Account (GFECRA). Owing to these payments and revaluation profits on the net foreign reserves, the balance of the GFECRA changed from a debit of R4 747 million at the end of March 2005 to a credit of R1 824 million at the end of March 2006.

In the 2005/06 financial year the profitability of the Bank improved by a significant margin, mostly owing to a sizeable increase in net interest income and a comparatively small increase in operating costs. This improvement seems to be sustainable as it was not caused by one-off transactions, as was the case in the previous financial year. Notwithstanding this improvement, the Bank will, as always, manage expenditure prudently.

July 2006

Board of Directors



Governor and Chairperson of the Board
Mr T T Mboweni



Dr X P Guma



Mr I Plenderleith*



Dr R D Mokate



Dr D Konar



Prof M Padayachee



Mr J W Raath



Ms F Jakoet



Ms A M Mokgabudi



Ms Z P Manase



Ms N D Orleyn



Mr S M Goodson



Prof R W K Parsons



Mr F E Groepe

* Until January 2006

Board members as at 31 March 2006

Mr T T Mboweni
Governor and Chairperson of the Board

Dr X P Guma
Deputy Governor

Dr R D Mokate
Deputy Governor

Dr D Konar
Representing Commerce or Finance

Prof M Padayachee
Representing Government

Mr J W Raath
Representing Agriculture

Ms F Jakoet
Representing Commerce or Finance

Ms A M Mokgabudi
Representing Industry

Ms Z P Manase
Representing Commerce or Finance

Ms N D Orleyn
Representing Industry

Mr S M Goodson
Representing Commerce or Finance

Prof R W K Parsons
Representing Government

Mr F E Groepe
Representing Government

As at 31 March 2006 a vacancy existed for a deputy governor

Corporate governance

The South African Reserve Bank is committed to the principles of, and complies to a significant degree with the requirements of the King Report on Corporate Governance. The compliance of the Bank with these requirements is reflected below.

Board of Directors

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

Executive directors

The Governor and three deputy governors appointed by the President of the Republic. The Governor serves as Chairperson of the Board, as stipulated in the Act, and as Chief Executive Officer of the Bank. As at 31 March 2006, there was a vacancy for a deputy governor.

Non-executive directors

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

The Act requires that of the directors elected by the shareholders: Four shall be persons with experience in commerce or finance; one shall be a person with experience in agriculture; and two shall be persons with industrial experience.

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

Governor's Executive Committee

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

Audit Committee

The composition of the Audit Committee, which is a subcommittee of the Board, appears on page 23. The external and internal auditors have unrestricted access to

the Chairperson of this committee. The committee meets regularly with management, the Internal Audit Department (IAD) and the external auditors. The committee reviews the financial statements and underlying accounting policies, the effectiveness of management information, other systems of internal control and the internal audit function. The Audit Committee also reviews the risk management processes applicable to the Bank's operations and examines and recommends areas that internal and external auditors must cover.

Remuneration Committee

The composition of the Remuneration Committee, a subcommittee of the Board, appears on page 23. The committee meets regularly to review human resources matters and remuneration practices and policies. This committee also determines the remuneration packages of the Governor and deputy governors.

Monetary Policy Committee

The Monetary Policy Committee is responsible for ensuring the formulation of monetary policy in line with current international best practice. As at 31 March 2006, the committee comprised the Governor and deputy governors, as well as four senior officials of the Bank. The committee meets at regular intervals and a statement on the monetary policy stance of the Bank is issued after each meeting. Decisions are taken by consensus.

Budget Committee

The Bank ensures financial discipline through a Budget Committee comprising the Governor, who presides over the meetings, the deputy governors, the head of the Financial Services Department and the Chairperson of the Budget Subcommittee. This committee meets regularly to oversee the preparation of the operational and capital budgets and the monitoring and management of actual expenditure. Quarterly reports are submitted to the Board.

Internal audit

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

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

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

Internal control

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

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

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

Employment Equity Consultative Body and Management Steering Committee

In 2000, the Bank established the Employment Equity Consultative Body (EECB) and the Management Steering Committee (MSC) as the consultative mechanism representing employees and the employer, respectively, in compliance with the Employment Equity Act, No 55 of 1998. Their mandate at that stage included only consultations on employment-equity related matters. Subsequently, the role of the EECB and the MSC has been extended to include consultation on skills development. The EECB and the MSC will in future consult on both the annual employment equity progress report to the Department of Labour and the annual skills development report to the BankSeta. A special training programme was developed and implemented to empower members to effectively perform their added functions. The Bank's inaugural employment equity plan terminated in 2005. The targets of the first plan were extended for another year to address the shortfalls that emanated from the first plan. The Bank's second employment equity plan for a period of five years has been drafted. Proposed targets for females have been increased from 33 per cent to 50 per cent at all levels of employment while the target for blacks has remained unchanged at 50 per cent at all levels. A target of 2 per cent has been proposed for people with disabilities. The proposed targets are currently being consulted within the Bank.

Code of Ethics and Conduct

After submitting the preliminary draft Code to the Board during 2004, the Bank decided to develop it further and consult on the Code with the staff of the Bank. This was done and followed up by discussions with all management teams of departments during their 2005 departmental strategy sessions. The Code was, in addition, consulted on with the rest of the staff in departments during the latter part of 2005 and beginning of 2006. On request of the union, SASBO, the Code has been deliberated with the union in April 2006. Subsequently, the Bank has embarked on a process of communicating the Code as well as integrating it into the staff policies of the Bank.

Human resources

The Bank has recently concluded an extensive consultation process with its staff and other stakeholders on the modernisation of the staff policies. The consultation was done through direct interaction in a series of open sessions, consultations with the EECB and with SASBO. To conclude the process there will be information sessions to inform staff of the finalised policy positions in the run-up to implementation on 1 October 2006.

From an employee wellness point of view, the Bank made the strategic decision to change its Employee Assistance Programme (EAP) service provider in an effort to provide an extended service to its employees. The services of Independent Counselling and Advisory Services were procured with effect from 1 November 2005. In conjunction with Bankmed, the medical-aid scheme, health risk assessments were conducted to the benefit of employees.

The HIV/Aids programme of the Bank received renewed attention with the launch of the Knowledge, Attitude, Prevalence and Behaviour (KAPB) survey during the course of the year.

Considering that staff morale is key to the functioning of the Bank, an Organisational Culture and Climate survey was conducted during March 2006. The identified areas of concern will be addressed by the Bank during 2006.

Amid ongoing development of its employees, and in support of an endeavour by the BankSeta to identify the skills shortages of the financial sector as a whole, the Bank participated in a sector skills audit.

Safety, health and environmental issues

The Bank and its subsidiaries continue to comply with health, safety and environmental legislation and are committed to the interest and wellbeing of their employees as part of their broader social responsibilities. The strategy on life-threatening diseases, including HIV/Aids, addresses various issues such as awareness, education, support, avoidance of discrimination and the impact of the work environment.

The specific requirements of the Bank's subsidiaries in terms of effluent and other production waste disposal operations, are stringently adhered to.

The Bank proactively ensures a healthy and safe working environment through the regular commissioning of compliance assessments and environmental studies by external specialist organisations, accompanied by the implementation of corrective actions where required.

The Bank further ensures, as part of its obligations towards the safety of its staff and in terms of its Business Continuity Management requirements, that evacuation exercises are held on a regular basis.

The Bank acknowledges the importance of its responsibilities and is committed to ensure that a healthy and safe working environment is maintained at all times.

Risk management

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

Management structures

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

Risk elements

The financial risk elements in the activities of the Bank are: Interest rate, market price, credit and liquidity. These risks are discussed in Note 32 to the financial statements. Operational, human resources, legal and reputational risks are discussed below.

Operational risk

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

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

Human resources risk

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

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

Legal risk

Legal risks arise from any uncertainty or lack 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 the nature of such risks better and to improve the documentation and structure of transactions. In addition, the Bank has established legal procedures designed to ensure, as far as reasonably possible, compliance with all applicable internal, statutory and regulatory requirements.

Reputational risk

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

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

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 price stability.

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

Functions

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

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

Business philosophy

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

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

Personnel philosophy

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

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

Monetary policy decision-making

In its pursuit of price stability, the Bank is guided by an inflation target that has been set by the government.

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

Meetings are scheduled for every second month, and the timetable is finalised before the beginning of the year and published on the website of the Bank. However, provision is made for unscheduled meetings should the need arise. During the past year, there were no unscheduled meetings.

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

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

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

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

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

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

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

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

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

Operational review

Primary function

The primary objective of the Bank's monetary policy remains the achievement and maintenance of price stability. In the execution of monetary policy, the main aim is the achievement of the inflation target. Achieving the inflation target contributes to the protection of the interests of all South Africans, but particularly the poor by protecting their purchasing power. Price stability should also contribute to sustainable growth in the long run.

It is also essential for banking regulation and supervision to stay in line with international developments, and for the financial system to be strengthened further to ensure stability of financial markets and institutions.

Operational functions

Inflation targeting

South Africa follows an inflation-targeting monetary policy, with the target specified as CPIX (year-on-year increase in the consumer price index excluding mortgage interest costs for metropolitan and other urban areas) of between 3 and 6 per cent to be achieved on a continuous basis. This target has been achieved since September 2003.

The inflation target has been set by the government as far back as February 2000. Within the inflation-targeting monetary policy framework, the central bank does not have goal independence but retains full operational autonomy in its choice of monetary policy instruments.

Discharging monetary policy responsibilities

Monetary policy decision making is entrusted to the Monetary Policy Committee (MPC) of the Bank. The MPC consists of the Governor, three deputy governors and four senior officials of the Bank. During the period under review, six MPC meetings were held. An important factor in determining the stance of monetary policy is the forecast generated by the Bank's macroeconomic models. Monetary policy, though, is not set mechanistically according to the outcome of the central forecast. Some judgement is required as well, but the model does, in a systematic way, attempt to incorporate the combined impact of the different inflation determinants on the inflation outcome. Also, forecasts presented at different meetings are subject to change, either because of a change in the assumptions about exogenous variables or forecast errors.

At the time of the meeting of the MPC in April 2005, the outlook for inflation had remained favourable, despite increased uncertainty in the global environment. Inflation had remained within the target range for the preceding 19 months (i.e. since September 2003), inflation expectations had declined significantly and it was generally expected that inflation would remain within the target range for the foreseeable future. In its deliberations, the MPC had to consider a number of issues. First, although higher oil prices impact negatively on measured inflation and oil prices were on the increase by April 2005, the MPC accepted that monetary policy should not respond to first-round inflationary effects. Second, despite a significant increase in oil prices, their inflationary impact on the international economy were far

more muted than in previous rounds of price increases. The continued subdued world inflation has been one of the considerations in the setting of domestic monetary policy. Given the muted inflationary pressures domestically and the positive outlook for inflation, the repurchase rate was lowered by 50 basis points on 14 April 2005.

Developments in wage settlements and unit labour costs are closely monitored by the MPC. At its meeting in April 2005, the MPC commented on the divergence between wage settlement trends and unit labour cost trends. However, at the time of its meeting in August 2005 there was greater consistency between the two, and unit labour costs appeared to be in line with the inflation target. These trends were confirmed at the meeting held in October 2005.

Domestic demand growth remained an important focus of MPC deliberations. Domestic expenditure remained robust and was sustained by higher consumer confidence, the moderately stronger rand, lower interest rates, higher real incomes and high asset prices. Nevertheless, although the strong consumer demand persisted over the period, there was little evidence of inflationary pressure emanating from this.

While on the output side a continued downward movement in the leading business cycle indicator and decline in manufacturing capacity utilisation were noted, the outlook had changed significantly by August 2005 with indications that the output gap had narrowed. Manufacturing production had recovered, the leading indicators were positive and the various business confidence and trade activity indices showed that expectations were strongly positive. These trends were confirmed by gross domestic product (GDP) data recording robust growth in the second quarter of 2005, accompanied by a further increase in capacity utilisation and a favourable outlook predicted by the leading business cycle indicator.

Both money supply and credit extension accelerated significantly over the review period, reflecting the robust domestic demand. In the earlier part of the year, M3 money supply growth remained fairly stable at around 12 per cent on a year-on-year basis. By July and August 2005, however, M3 was growing by almost 20 per cent year on year, and credit extension was growing even faster. The MPC noted the progressive rise in consumer indebtedness, as household debt as a percentage of disposable income rose from 60 per cent in the first quarter to 62 per cent in the second quarter of 2005. It was also noted, however, that the debt servicing ratio remained low and broadly unchanged at around 6,5 per cent of disposable income.

At its meeting in February 2006 the MPC noted a more discernible upward trend exhibited by production price inflation, with year-on-year producer price inflation measuring 4,5 per cent and 5,1 per cent in November and December 2005, respectively. Producer price inflation for 2005 as a whole averaged 3,1 per cent compared to 0,6 per cent the previous year.

During the period under review the MPC also took cognisance of the growing current-account deficit. The brisk domestic demand had an impact on the current-account deficit, which increased to more than 4 per cent of GDP in the second half of 2005. Continued strong domestic demand was expected to maintain pressure on the current account. The deficit on the current account, however, continued to be more than adequately financed by capital inflows which, in turn, were being attracted by improved prospects for economic growth. The overall balance of payments had remained in surplus, and the level of official gross gold and foreign exchange reserves increased to US\$22 969 million at the end of March 2006.

An increase in the current-account deficit, however, is not in itself a threat to the inflation outlook. The potential threat to inflation comes through the possible impact on the exchange rate. During the period under review, the exchange rate of the rand remained relatively stable. The rand was also supported by high commodity prices, expectations of further foreign direct investment inflows, positive South African economic data as well as strong demand from non-residents for South African equities.

Other issues raised by the MPC included fiscal policy, which remained supportive of monetary policy; the moderate downward trend in the inflation rates of services prices and non-petrol administered prices; and the low level of food price inflation. Other factors which contributed to the positive inflation outlook include low world inflation and well-anchored inflation expectations.

The MPC remains mindful of significant risk factors to the inflation outlook. Two exogenous factors, namely oil and food price developments, are potential risks to the inflation outlook. The MPC, however, will not react to first-round effects of higher oil prices, but has to remain vigilant in anticipating second-round effects.

Refinement of monetary policy operational procedures

Following extensive consultation with various market participants, the Bank modified its refinancing system with effect from May 2005. The aim was to streamline the Bank's money-market operations, encourage commercial banks to take more responsibility for managing their own liquidity needs and to promote a more active domestic money market. The Bank is investigating the feasibility of expanding the pool of liquid assets accepted as collateral in refinancing operations.

The Money Market Liaison Group initiated a project to establish a benchmark overnight rate in the money market, following the identification of a number of deficiencies among banks and potential users of the current South African Overnight Interbank Average rate.

Administration of exchange controls

The Bank continued to administer the exchange control function. As part of the ongoing process of the gradual liberalisation of exchange controls, the Minister of Finance announced further relaxations in the *Medium Term Budget Policy Statement* and the Budget Speech in October 2005 and February 2006, respectively.

The most significant of these applied to local banks and institutional investors. South African banks are now allowed to hold foreign assets of up to 40 per cent of their domestic regulatory capital as part of the shift from exchange controls to the prudential regulation of banks' foreign exposures. Non-African foreign assets are restricted to 20 per cent, while African assets can constitute up to 40 per cent. South African banks can also extend foreign-currency denominated facilities for the financing of approved foreign direct investments by South African companies.

The foreign exposure limit on collective investment schemes was increased from 20 per cent to 25 per cent of total retail assets, and for investment managers from 15 per cent to 25 per cent of total retail assets. Furthermore, institutional investors may avail themselves of an additional five-per-cent African allowance, by acquiring foreign-currency denominated portfolio assets in Africa directly through foreign-currency transfers from South Africa, or indirectly by acquiring rand-denominated

foreign exposures via an inward-listed African security. This will further enable South African residents to diversify their investment portfolios through domestic channels and enhance the role of South African fund managers in facilitating the flow of funds to the continent.

To promote the realisation of NEPAD development goals through more direct investments in Africa, the exchange control requirement that companies and mandated parastatals must obtain a majority (i.e. 50 per cent + one share) interest in all foreign direct investments was replaced with the lower requirement of a significant interest of at least 25 per cent. The requirement that loans issued by development finance institutions to African companies or projects should have a 50-per-cent South African content, fell away. These measures will also support the growth of South African businesses and the domestic economy.

The offshore individual investment allowance was increased from R750 000 to R2 000 000 per person in February 2006.

The exchange control amnesty announced in 2003 came to a close on 15 February 2006. The bulk of the contractors employed to handle these applications has been released since the winding-up process now involves the finalisation of some administrative issues. The amnesty process had enabled South Africans to regularise their offshore financial investments and has laid the foundation for a more orderly process of portfolio diversification.

Accumulation of reserves

The Bank increased the level of official gross gold and foreign exchange reserves to US\$22 969 million at the end of March 2006, from US\$15 868 million at the end of March 2005. The international liquidity position (net reserves) increased to US\$19 499 million from US\$12 831 million over the same period. With the assistance of the National Treasury, the bulk of this increase in foreign exchange reserves was sterilised by means of a special deposit account at the Bank. The balance on this account amounted to R35,9 billion at the end of March 2006.

On 1 April 2005 the National Treasury made a final payment in the form of zero-coupon bonds as compensation for losses accumulated over many years in the Gold and Foreign Exchange Contingency Reserve Account (GFECRA). These bonds were switched into interest-bearing bonds and were used in reverse repurchase transactions to drain liquidity from the money market.

Ensuring the availability of credit lines

At the end of March 2006, the Bank's total foreign facilities amounted to US\$4,1 billion, compared with US\$4,3 billion at the end of the previous financial year. Approximately US\$3,5 billion was utilised. The US\$1 billion 2002 and US\$1 billion 2003 syndicated loans were repaid, and a new US\$1,5 billion 2005 syndicated loan was drawn down at the end of July 2005.

The 2005 syndicated loan was tightly priced, with initial margins of 22,5 basis points and 30 basis points for the three and five-year tranches, respectively. On 30 August 2005, the margins were reduced to 20 and 27,5 basis points, following an upgrade in South Africa's credit rating by Standard & Poor's.

Management of international reserves

Prudent and efficient management of reserves remained a strategic priority for the Bank. At the end of March 2006, 81 per cent of gross reserves was managed internally, compared with 88 per cent last year, while 19 per cent was managed by external fund managers compared with 12 per cent in the previous year. Two additional external fund managers were appointed, namely, the World Bank and the Bank for International Settlements.

In July 2005 a securities lending programme was implemented by means of an agreement with the Bank of New York (BoNY). Under this agreement the BoNY is permitted to lend out the Bank's securities it holds in custody. The proceeds from this initiative more than offset the fees charged in the previous financial year.

Maintaining a sound regulatory framework

The Bank has a responsibility to ensure that the domestic banking regulatory environment incorporates international best practice. A key focus remains the preparation for the implementation of Basel II. The domestic banking regulatory framework has to be amended to provide for the requirements of the new Capital Accord, due to be implemented on 1 January 2008.

During the year under review, initial drafts of the amendments to the Banks Act, No 94 of 1990, and the regulations thereto, were circulated to the Accord Implementation Forum (AIF). A second draft of the regulations was circulated to all banks for comment. To determine their readiness, all registered banks, branches of foreign banks and mutual banks were required to perform a gap analysis and self-assessment for the implementation of Basel II. Banks were also required to complete the Quantitative Impact Study 4 to assess the possible impact of the implementation of Basel II on the level of capital in the banking industry.

The Bank held various high-level meetings with all banks to determine progress regarding the full implementation of anti-money laundering and anti-terror-financing measures. These include the "Know Your Client" (KYC) procedures and compliance with the provisions of section 21(2) of the Financial Intelligence Centre Act, No 38 of 2001.

The Bank participated in a joint project with the National Treasury to investigate further requirements for implementing an explicit deposit-insurance scheme. The scheme will protect insured depositors, particularly small depositors, against the consequences associated with the failure of a bank.

Following the 2003 review of the five big banks, the Bank undertook a corporate-governance review of a further 14 South African banks. The purpose was to assess compliance with sound corporate governance practices, as laid down in the Banks Act, 1990; the Mutual Banks Act, 1993; the Regulations to these Acts; the recommendations of the Myburgh Report on the standard of corporate governance in the five largest banks; and in the second King Committee Report on Corporate Governance.

Based on the twelve key financial soundness standards identified by the Financial Stability Forum, the Bank continued to assess and review the robustness of the financial regulatory system. Also, developments in other sectors that have a bearing

on the stability of the financial system, such as the household and corporate sectors, and the real-estate market were assessed continuously. The Bank redoubled efforts to develop and refine crisis management and contingency plans for appropriate responses to systemic crises.

Maintaining the integrity of banknotes and coin

The upgraded banknote series was launched at the beginning of February 2005. The public education and communication campaign to ensure public confidence in South Africa's banknotes and to highlight the security and design features incorporated in the banknotes was highly successful. The campaign received two awards in the advertising fraternity, namely the 2006 Prisa Prism award, bronze class, and the International Public Relations Association award.

The communication campaign achieved the objective of increasing the public's vigilance in identifying counterfeit notes. Data indicate that there has been a marked decrease in counterfeit banknotes in circulation since the introduction of the upgraded banknote series.

Security of currency distribution

In an effort to improve the efficiency and effectiveness of the national cash management system, the Bank developed an integrated cash management system in collaboration with the commercial banks. It has the potential to reduce the unnecessary holding of cash by commercial banks at various points in the distribution system and therefore assists in reducing the cost of cash to the public.

The Bank has embarked on an interactive programme with the commercial banks, cash-in-transit industry and the South African Police Service to develop minimum security standards for the cash management industry in an attempt to reduce the incidents of cash-in-transit heists and banking crimes.

International and regional contribution

The Bank plays an important role in the Southern African Development Community (SADC) region, on the African continent and in the global arena. International relations were strengthened by the signing of Memoranda of Understanding between the Bank and the central banks of Argentina and Ukraine. Within the SADC region, the central bank governors signed Memoranda of Understanding on co-operation in the areas of information technology; payment, clearing and settlement systems; and co-operation and co-ordination of exchange control policies. Furthermore, a Memorandum of Understanding on legal and operational frameworks for central banks in SADC was approved by the SADC ministers responsible for financial matters. It provides for an appropriate degree of central bank independence and accountability.

Among the numerous interactions with the research community, three high-profile and well-attended conferences were hosted by the Bank during the period under review: A G-20 seminar on economic growth which was co-hosted with the central banks of China and Mexico; a conference on cutting-edge work in econometric modelling; and a conference on inflation targeting in the context of regional integration in SADC which was co-hosted with the Centre for Central Bank Studies at the Bank of England.

Collaborative research progressed with a number of local academics visiting the Bank, each leading a research team. Bank staff also undertook economic research in collaboration with foreign experts. Furthermore, foreign and local expertise was called on as part of a process of peer reviewing the Bank's core econometric model.

The Bank participated in a number of SADC cross-border settlement initiatives. The annual SADC regional conference in August 2005 concluded that the cross-border settlement initiatives would be aligned with the SADC macroeconomic convergence programme.

The Bank also participated in several international forums, including the workgroup which compiled a BIS guideline for the development of national payment systems.

The Bank places great emphasis on capacity building in Africa by co-operating with international training institutions and central banks in the SADC region. The Bank hosted the residential segment of the International Monetary Fund Institute's Financial Programming and Policies course for African countries. It also co-hosted, with the SADC Training and Development Forum, the Financial Markets Analysis course presented by the Joint Africa Institute for central banks in the SADC region and some other African countries.

Developing and maintaining the national payment system

The Bank continued to improve the effectiveness and integrity of the national payment system (NPS) and a high standard was maintained in the provision of inter-bank settlement services in the South African Multiple Option Settlement (SAMOS) system. Significantly, the settlement of the rand leg of foreign exchange transactions via the Continuous Linked Settlement (CLS) system, which was implemented in December 2004, has functioned extremely well. During this period Master Card was also included in the settlement system as a payment clearing house (PCH) operator for transactions generated using its cards. A new version of the SAMOS system was implemented as an initial step to cater for the immobilisation of money-market instruments which will occur during 2006.

The Bank's oversight function was further enhanced in co-operation with the banking industry and other stakeholders. Amendments necessitated by the introduction of the National Credit Act, No 34 of 2005, were made to the National Payment System Act, No 78 of 1998. The amendments are aimed at disallowing preferential treatment of payment instructions within the NPS.

A final draft of a new vision and strategy document for the NPS, the "Vision 2010" was completed. This document maps out strategies for the period 2005 to 2010. It contains principles, objectives and a high-level direction for the NPS.

Effective organisational structuring

During the period under review, Deputy Governor Ian Plenderleith completed his three-year contract with the Bank and retired in January 2006. In August 2005 the vacancy left by former Deputy Governor Gill Marcus was filled with the appointment of Dr Renosi Mokate as Deputy Governor. The position of Secretary of the Bank was filled in October 2005 with the appointment of Mr Tiyani Mongwe.

The Bank's organisational structure was amended with effect from 1 August 2005. The revised organisational structure made provision for the appointment of four

executive general managers (EGMs). Mr Bertus van Zyl, Dr Monde Mnyande, Mr Errol Kruger and Mr Daniel Mminele were appointed as EGMs. Each EGM reports to a deputy governor and is responsible for the overall management, supervision and control of the departments under him. Collectively, the Governor, the deputy governors and the EGMs constitute the Governor's Executive Committee (GEC).

The Research, Financial Stability and Currency and Protection Services Departments fall under Dr Mnyande. The Bank Supervision Department falls under Mr Kruger. Both Mr Kruger and Dr Mnyande report to Deputy Governor X P Guma.

The markets cluster, including the Exchange Control, Financial Markets, Financial Services and National Payment System Departments reported to Mr Plenderleith, whose position is now vacant. The EGM is Mr Mminele who, as an interim measure, reports to the Governor.

The central services cluster reports to Dr Mokate, with Mr van Zyl as the EGM. This cluster includes the Business Systems and Technology, Corporate Services, Human Resources, Legal Services, Internal Audit (administratively) and Executive Management Departments as well as the SARB College.

Human resources

Even though the envisaged implementation target date for revised staff policies of the Bank was not met, satisfactory progress was made in this regard. The consultation process between the Bank and its employees, the EECB and SASBO was more intensive than was initially expected.

Over-the-counter share market

The Bank implemented a live trading facility for the trading of the Bank's shares on 1 October 2005. The live trading facility replaced the previous closed auction trading in the Bank's shares on the Over-the-Counter Share Trading Facility (OTCSTF), which was introduced on 1 June 2002. The closed auction trading of the Bank's shares operated in a manner where buy and sell offers were matched only once per month, while the live trading facility currently provides for the continuous matching of offers, on a daily basis on any business day between the hours of 08:00 and 15:00. During the financial year 40 transactions were successfully concluded, representing trading of 123 808 shares. Of these transactions, 27 have been concluded on the live trading facility since 1 October 2005, representing 79 035 shares.

Executive management, secretary and directors

Executive management as at 31 March 2006

| | |
|--|-------------|
| Governor: Internal audit | T T Mboweni |
| Deputy Governor: Bank supervision, currency and protection services, financial stability and research | X P Guma |
| Deputy Governor: Exchange control, financial markets, financial services and national payment system | Vacant |
| Deputy Governor: Business systems and technology, corporate services, executive management, human resources, internal audit, legal services and SARB College | R D Mokate |
| Executive General Manager | L van Zyl |
| Executive General Manager | A D Mminele |
| Executive General Manager and Chief Economist | M Mnyande |
| Executive General Manager and Registrar of Banks | E M Kruger |
| Secretary of the Bank | T Mongwe |

Directors

Tito Titus Mboweni *
Governor

Xolile Pallo Guma°
Renosi Denise Mokate
Deputy governors

Mahavishnu Padayachee °*
Raymond Whitmore Knighton Parsons *
Francois Engelbrecht Groepe °
Representing: Government

Deenadayalen Konar †
Fatima Jakoet °
Zodwa Penelope Manase °
Stephen Mitford Goodson
(Term of office expires on 24 August 2006 and available for re-election)
Representing: Commerce or finance

Jacob Wouter Raath*
Representing: Agriculture

Audrey Matshidiso Mokgabudi x
Noluthando Dorian Orleyn *
Representing: Industry

† Chairperson of the Audit Committee

x Chairperson of the Remuneration Committee

° Member of the Audit Committee

* Member of the Remuneration Committee

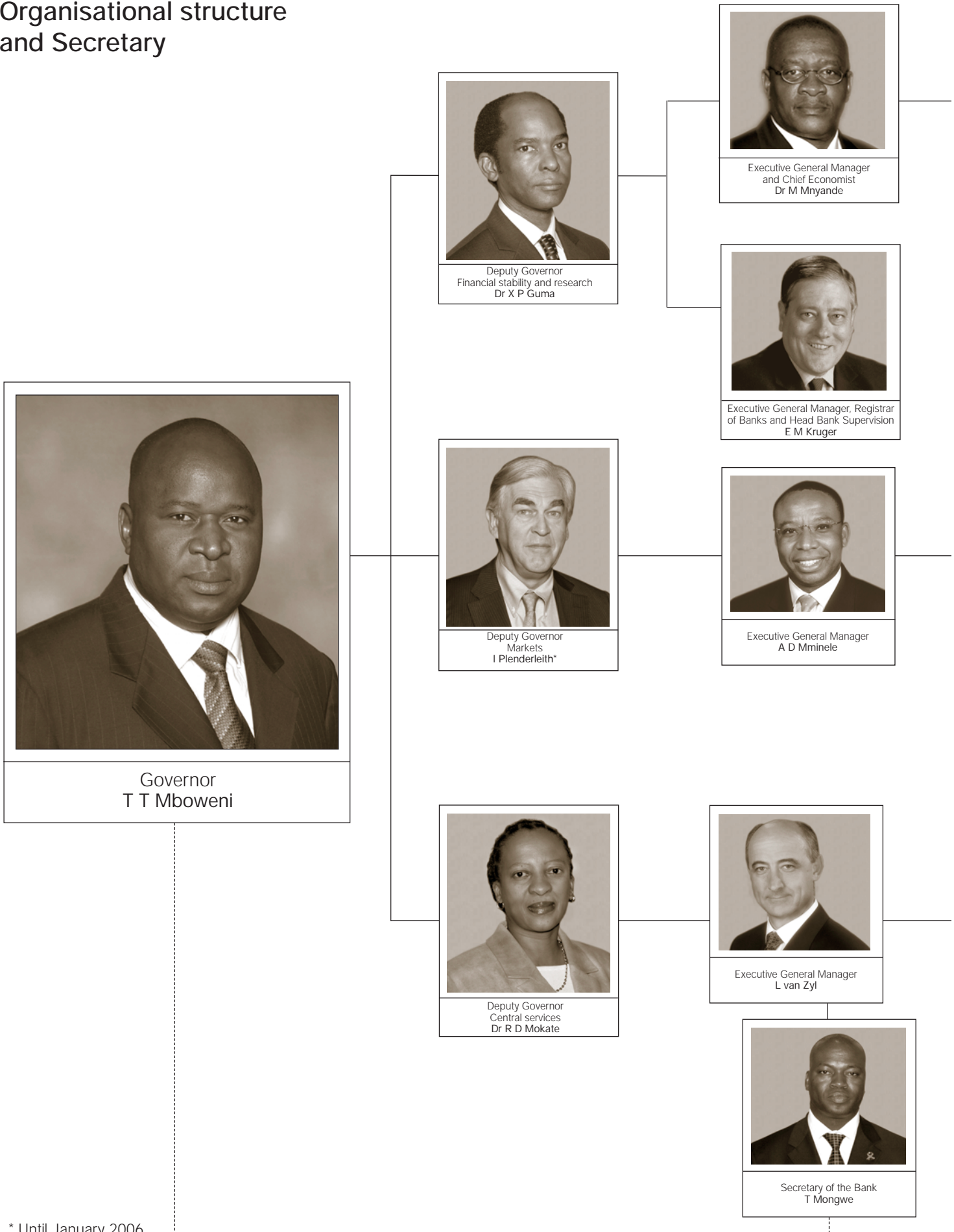
Senior management at 31 March 2006

| | |
|---|--------------------|
| Executive General Manager (Consultant) | L van Zyl |
| Executive General Manager and Registrar | E M Kruger |
| Executive General Manager and Chief Economist | M Mnyande |
| Executive General Manager | A D Mminele |
| Head: Currency and protection services | A Ismail |
| Head: Exchange control | A M Bruce-Brand |
| Head: Research | J P van den Heever |
| Head: Financial markets | D C Moephuli |
| Head: Financial stability | A Bezuidenhout |
| Head: National payment system | D C Mitchell |
| Head: Financial services | G J Terblanche |
| Head: Legal services | J J de Jager |
| Head: Internal audit | H P Badenhorst |
| Head: Human resources | S M Motsepe |
| Head: Corporate services | Z S Gumede |
| Head: Business systems and technology | M S Ismail |
| Principal: South African Reserve Bank College | G R Wesso |
| Secretarial support services | T Mongwe |
| Executive management | J N L Fourie |


Branch managers at 31 March 2006

| | |
|----------------|-----------------|
| Bloemfontein | T L Mtoba |
| Cape Town | A R Chamberlain |
| Durban | M T Mzizi |
| East London | E H Jacob |
| Johannesburg | H T Gape |
| Port Elizabeth | B P Loving |
| Pretoria North | M Mogapi |


Organisational structure and Secretary




* Until January 2006




Head
Currency and protection services
A Ismail



Head
Research
Dr J P van den Heever




Head
Financial stability
A Bezuidenhout



Head
Exchange control
A M Bruce-Brand



Head
Financial markets
D C Moephuli




Head
National payment system
D C Mitchell




Head
Financial services
G J Terblanche



Head
Legal services
Dr J J de Jager



Head
Internal audit
H P Badenhorst




Head
Human resources
S M Motsepe



Head
Corporate services
Z S Gumede



Head
Business systems and technology
M S Ismail



Principal
SARB College
Dr G R Wesso

Human resources report

At the beginning of the 2005/06 financial year, the Bank had a total permanent staff complement of 1 988, which was reduced to 1 956 by the end of the year. The reduction of 32 in staff numbers resulted from 140 terminations and only 108 new appointments.

The overall staff turnover for the period was 7,1 per cent.

The Bank improved its equity representation at the management broad bands with the following percentage increases: General Management (3 per cent) and Professional and Vocational Management (1 per cent). This is indicated in Table 1 below.

Table 1: Breakdown per broad band: Employment equity representation

Per cent

| Broad band | Actual 31-03-05 | Actual 31-03-06 | 2006 Bank target |
|--|--------------------|--------------------|---------------------|
| General Management (GM) | 48 | 51 | 50 |
| Senior Professional and Management (SPM) | 43 | 43 | 50 |
| Professional and Vocational Management (PVM) | 41 | 42 | 50 |
| Junior Professional and Supervisory (JPS) | 48 | 50 | 50 |
| Trainee Professional and Clerical (TPC) | 59 | 62 | 50 |
| General Worker (GW) | 89 | 89 | 50 |
| Total | 55 | 56 | 50 |

The Bank has also made improvements with regard to the gender representation in the respective broad bands. Improvement in gender representation will remain a focus area in the new financial year.

Table 2: Breakdown per broad band: Female representation

Per cent

| Broad band | Actual 31-03-05 | Actual 31-03-06 | 2006 Bank target |
|--|--------------------|--------------------|---------------------|
| General Management (GM) | 21 | 20 | 33 |
| Senior Professional and Management (SPM) | 27 | 29 | 33 |
| Professional and Vocational Management (PVM) | 40 | 43 | 33 |
| Junior Professional and Supervisory (JPS) | 62 | 62 | 33 |
| Trainee Professional and Clerical (TPC) | 50 | 49 | 33 |
| General Worker (GW) | 33 | 35 | 33 |
| Total | 46 | 46 | 33 |

Table 3: Workforce profile by gender and representivity at 31 March 2006

| Broad band | Male | | | | Female | | | | Total |
|--|------------|-----------|-----------|------------|------------|------------|-----------|------------|--------------|
| | African | Coloured | Indian | White | African | Coloured | Indian | White | |
| General Management (GM) | 24 | 4 | 4 | 42 | 11 | 2 | 2 | 4 | 93 |
| Senior Professional and Management (SPM) | 26 | 6 | 11 | 73 | 18 | 5 | 4 | 20 | 163 |
| Professional and Vocational Management (PVM) | 63 | 12 | 8 | 122 | 45 | 8 | 12 | 87 | 357 |
| Junior Professional and Supervisory (JPS) | 78 | 8 | 10 | 63 | 81 | 19 | 16 | 146 | 421 |
| Trainee Professional and Clerical (TPC) | 189 | 48 | 15 | 116 | 116 | 56 | 20 | 158 | 718 |
| General Worker (GW) | 102 | 9 | 5 | 17 | 57 | 9 | 0 | 5 | 204 |
| Total permanent | 482 | 87 | 53 | 433 | 328 | 99 | 54 | 420 | 1 956 |
| Non-permanent | 6 | 0 | 1 | 10 | 4 | 2 | 1 | 13 | 37 |
| Total | 488 | 87 | 54 | 443 | 332 | 101 | 55 | 433 | 1 993 |

Table 4: Staff complement at 31 March 2006

| Department | Permanent staff | Contract workers | Total |
|---|-----------------|------------------|--------------|
| Executive management | 36 | 1 | 37 |
| Bank supervision | 93 | 2 | 95 |
| Business systems and technology | 161 | 7 | 168 |
| Corporate services | 198 | 3 | 201 |
| Currency and protection services (including branches) | 794 | 2 | 796 |
| Exchange control | 159 | 11 | 170 |
| Financial markets | 95 | 0 | 95 |
| Financial services | 73 | 0 | 73 |
| Financial stability | 19 | 0 | 19 |
| Human resources | 54 | 0 | 54 |
| Internal audit | 50 | 0 | 50 |
| Legal services | 23 | 1 | 24 |
| National payment system | 21 | 0 | 21 |
| Research | 145 | 0 | 145 |
| SARB College (including cadets) | 10 | 10 | 20 |
| Total staff complement | 1 931 | 37 | 1 968 |
| Staff members receiving disability benefits | 25 | 0 | 25 |
| Total | 1 956 | 37 | 1 993 |

Financial framework for 2006/07

Introduction

The Bank strives to conduct its financial affairs in accordance with international best practice. It is subject to the South African Reserve Bank Act, No 90 of 1989 (the Act). The Bank applies the principles of International Financial Reporting Standards (IFRS), as far as they are not in conflict with the Act or where the disclosure of information could threaten financial stability. In the year under review IFRS were applied, except for the following:

- 1 According to the Act, realised and unrealised valuation gains and losses in gold and foreign-denominated assets and liabilities are for the account of the government, and have therefore not been accounted for in the income statement of the Bank.
- 2 Not all information is disclosed for each class of financial asset and liability and transaction, about the extent and nature of the financial instruments, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows.
- 3 The terms of certain related-party transactions were not disclosed where such disclosure was considered to threaten financial stability.

Budget for 2006/07

The Bank's income depends on its activities in the financial markets, which are guided by the policy options chosen by the Bank, given the prevailing market conditions and, particularly, the expected inflation and exchange rates. The inherent volatility of these market conditions makes it impracticable for the Bank to budget for income, but the outlook for the Bank's income is monitored closely.

Expenditure is controlled closely through a formalised budget process.

Bank expenditure budget

Certain expenditure items, such as depreciation of property, plant and equipment (PPE) are not included in the figures in the table below, because they are not managed as part of the operational budget process.

Expenditure budget

| | Budget 2006/07 R'000 | Outturn 2005/06 R'000 | Budget 2005/06 R'000 |
|----------------------|----------------------------|-----------------------------|----------------------------|
| Personnel costs | 710 424 | 698 589 | 631 463 |
| Operating costs | 229 181 | 204 753 | 227 447 |
| Cost of new currency | 675 436 | 627 483 | 649 711 |

The outturn of the 2005/06 recurring operational costs were significantly below budget. This was mainly a result of the following:

- 1 The cost of new currency as well as the cost of information technology for 2005/06 were below the budget as a significant saving was achieved due to the relatively strong rand.
- 2 The 2005/06 personnel costs were over the budget due to the activities and the staffing of the Exchange Control Amnesty Unit.

Report of the independent auditors

To the members of the South African Reserve Bank

We have audited the financial statements of the South African Reserve Bank and the group set out on pages 32 to 70 for the year ended 31 March 2006. These financial statements are the responsibility of the directors of the South African Reserve Bank. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. 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.

In our opinion, the accompanying consolidated financial statements have been prepared, in all material respects, in accordance with the basis of accounting described in Note 1.

Without qualifying our opinion, we emphasise that the basis of accounting and the presentation and disclosures contained in the consolidated financial statements are not intended to, and do not, comply with all the requirements of International Financial Reporting Standards.

Deloitte & Touche

Deloitte & Touche
Registered Auditors
Per: Nazeer Essop
Partner

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc
Registered Auditors
Johannes Grosskopf
Director

SizweNtsaluba VSP

SizweNtsaluba VSP
Registered Auditors
Per: Sipho Sono
Partner

Pretoria
14 July 2006

Deloitte & Touche PO Box 11007 Hatfield 0028 Tel: (012) 482 0000 Fax: (012) 460 3633 National Executive: GG Gelink Chief Executive AE Swiegers Chief Operating Officer GM Pinnock Audit DL Kennedy Tax L Geeringh Consulting MG Crisp Financial Advisory L Bam Strategy CR Beukman Finance TJ Brown Clients & Markets SJC Sibisi Public Sector and Corporate Social Responsibility NT Mtoba Chairman of the Board J Rhynes Deputy Chairman of the Board *A full list of partners and directors is available on request*

PricewaterhouseCoopers Reg. no. 1998/012055/21 Private Bag X36 Sunninghill 2157 Tel: (011) 797 4000 Fax: (011) 797 5800 C Beggs Chief Executive Officer MJB Kitshoff Chief Operating Officer *The Company's principal place of business is at 2 Eglin Road Sunninghill where a list of directors' names is available for inspection*

SizweNtsaluba PO Box 2939 Saxonwold 2132 Tel: (011) 519 1500 Fax: (011) 656 1806/7 Chief Executive Officer: VM Sekese Partners: AM Mthimunya AP Maralack AW Mashifane A Rooplal B Petersen D Steyn HL Qangule J Strauss LD Saunders LC Dudumashe R Bhika SE Sono TH Njikizana TR Josias Z Bashir

Directors' report for the year ended 31 March 2006

Introduction

The directors present the Bank's eighty-sixth annual report for the year ended 31 March 2006.

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

It is the directors' responsibility to prepare annual financial statements and related financial information that fairly present the state of affairs and the financial results of the group. These financial statements have been prepared on a going-concern basis taking cognisance of certain unique aspects relating to the 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.

Management prepared the annual financial statements set out in this report. The statements include full and responsible disclosure and are based on appropriate accounting policies which have been consistently applied, except as noted in Note 1 to the financial statements, and which are supported by reasonable and prudent judgements and estimates.

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

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

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

Nature of business

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

The subsidiaries of the Bank are involved in the following activities:

- 1 Corporation for Public Deposits receives call deposits from public entities;
- 2 South African Bank Note Company (Proprietary) Limited produces banknotes;

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

Achievement of objectives

The Bank's achievements in respect of its objectives, including the achievement of its main objective, namely the maintenance of price stability, will be addressed by the Governor at the ordinary general meeting of shareholders to be held on 23 August 2006. The Governor's Address receives extensive media coverage and is made available to shareholders and other interested parties.

Financial results

The income statement appears on page 38.

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

| | Group R'000 | Bank R'000 |
|---------------|----------------|---------------|
| 31 March 2006 | 28 469 | 15 926 |
| 31 March 2005 | 10 967 | 5 558 |

Dividends

The final dividend of 5 cents per share for the 2005 financial year was paid on 6 May 2005 and an interim dividend of 5 cents per share for the 2006 financial year was paid to shareholders on 28 October 2005.

A final dividend of 5 cents per share for the 2006 financial year was declared on 3 April 2006 and paid on 5 May 2006.

Financial position

The balance sheet appears on page 37.

The total assets of the Bank increased by R39 billion during the year comprising an increase of R43 billion in gross gold and foreign assets, offset by a decline of R4 billion in domestic assets. The net increase was funded mainly by increases in deposit accounts (R35 billion), and notes and coin in circulation (R3 billion).

Directors

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

Dr R D Mokate was appointed as deputy governor and executive director on 1 August 2005.

The term of office of Mr I Plenderleith as deputy governor expired in January 2006.

The term of office of Dr X P Guma as deputy governor expired on 30 June 2006. Dr Guma was employed as a special advisor to the governor with effect from 1 July 2006 for a period of three years, *inter alia*, for the purpose of temporarily acting as deputy governor until the date of the official appointment of a deputy governor into the vacant position previously occupied by him.

The terms of office of Dr D Konar, Ms Z P Manase and Ms N D Orleyn as shareholders' representatives expired on 25 August 2005. They were all re-elected at the annual general meeting.

The term of office of Mr S M Goodson as shareholders' representative will expire on 24 August 2006.

Ms A M Mokgabudi, a shareholders' representative representing industry, resigned from the Board of the Bank on 8 June 2006 for professional reasons. The term of office of Ms Mokgabudi would have expired the day after the ordinary general meeting in 2007. In terms of section 6(1)(b) of the South African Reserve Bank Act, No 90 of 1989 (the Act), the Board of the Bank at a meeting held on 19 July 2006, appointed Ms T N Mgoduso to fill the casual vacancy arising from the resignation of Ms Mokgabudi. In terms of section 6(1)(b) of the Act, the appointment of Ms Mgoduso is subject to confirmation at the forthcoming ordinary general meeting of shareholders. In terms of section 6(2) of the Act, the appointment of Ms Mgoduso would be for the unexpired period of Ms Mokgabudi's term, i.e. until the day after the ordinary general meeting of shareholders in 2007.

There are currently two vacancies for deputy governors.

Direct and indirect shareholding of directors on 31 March 2006

During the year, members of the Board held the following shares in the Bank:

| | |
|--------------------|--------|
| Mr S M Goodson | 10 000 |
| Mr J W Raath | 300 |
| Dr D Konar | 10 000 |
| Mr T T Mboweni | 10 000 |
| Dr X P Guma | 5 932 |
| Ms F Jakoet | 500 |
| Ms N D Orleyn | 10 000 |
| Prof R W K Parsons | 1 000 |
| | 47 732 |

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 | 2006 | 2005 | 2006 | 2005 |
| | '000 | Per cent | R'000 | R'000 | R'000 | R'000 |
| Corporation for Public Deposits | 2 000 | 100 | 2 000 | 2 000 | (10 381 180) | (5 827 768) |
| South African Mint Company (Proprietary) Limited | 60 000 | 100 | 206 000 | 206 000 | 0 | 0 |
| South African Bank Note Company (Proprietary) Limited | 61 000 | 100 | 61 000 | 61 000 | 25 443 | 13 675 |
| South African Reserve Bank Captive Insurance Company Limited | 10 000 | 100 | 10 000 | 10 000 | (570) | (1) |
| Total | | | 279 000 | 279 000 | (10 356 307) | (5 814 094) |

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

| | Bank | |
|-------------------|-------------------|-------------------|
| | 2006 R million | 2005 R million |
| Aggregate profits | 105 | 95 |

Contracts

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

Post balance sheet events

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

It would be proposed at the ordinary general meeting of shareholders to be held on 23 August 2006 that PricewaterhouseCoopers Inc and SizweNtsaluba vSP be appointed as joint auditors of the Bank as from the 2006/07 financial year.

Secretary

Mr T Mongwe (Secretary)

Mr T Mongwe was appointed Secretary of the Bank on 1 October 2005.

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 14 July 2006 and signed on its behalf by:



T T Mboweni
Governor



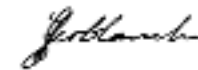
R D Mokate
Deputy Governor



S M Goodson
Director



F W Groepe
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 2006, have been correctly completed and are up to date.



T Mongwe
Secretary

Pretoria
14 July 2006

Balance sheet at 31 March 2006

| | Notes | Group | | Bank | |
|---------------------------------------|-------|--------------------|--------------------|--------------------|--------------------|
| | | 2006 | Restated 2005 | 2006 | Restated 2005 |
| | | R'000 | R'000 | R'000 | R'000 |
| Assets | | | | | |
| Cash and cash equivalents | 2 | 25 097 | 18 475 | 0 | 0 |
| Accommodation to banks | 3 | 13 233 151 | 13 475 841 | 13 233 151 | 13 475 841 |
| South African Government bonds | 4 | 9 518 922 | 7 421 645 | 9 518 922 | 7 421 645 |
| Loans and advances | 5 | 72 554 | 60 435 | 72 554 | 60 435 |
| Current taxation prepaid | | 4 642 | 89 227 | 0 | 85 370 |
| Amounts due by subsidiaries | 6 | 0 | 0 | 172 892 | 154 555 |
| Gold and foreign exchange | 7 | 142 118 684 | 98 663 302 | 142 118 684 | 98 663 302 |
| Inventories | 8 | 217 942 | 202 537 | 7 423 | 6 144 |
| Investments | 9 | 3 872 729 | 4 211 463 | 0 | 0 |
| Amounts due by the | | | | | |
| South African Government | 10 | 1 078 741 | 1 098 638 | 1 078 741 | 1 098 638 |
| Gold and Foreign Exchange | | | | | |
| Contingency Reserve Account | 11 | 0 | 4 746 586 | 0 | 4 746 586 |
| Property, plant and equipment | 12 | 1 006 527 | 1 073 611 | 570 084 | 622 037 |
| Investment in subsidiaries | 6 | 0 | 0 | 279 000 | 279 000 |
| Equity investment in Bank for | | | | | |
| International Settlements | 13 | 233 289 | 169 145 | 233 289 | 169 145 |
| Deferred taxation assets | 14 | 228 024 | 218 332 | 208 964 | 207 294 |
| Forward exchange contract assets | 15 | 381 316 | 1 173 808 | 381 316 | 1 173 808 |
| Other assets | 16 | 344 816 | 830 079 | 326 615 | 807 823 |
| Total assets | | 172 336 434 | 133 453 124 | 168 201 635 | 128 971 623 |
| Liabilities | | | | | |
| Deposit accounts | 17 | 81 164 117 | 41 664 798 | 67 603 569 | 32 239 992 |
| Amounts due to subsidiaries | 6 | 0 | 0 | 10 529 199 | 5 968 649 |
| South African Reserve Bank | | | | | |
| debentures | 18 | 6 367 929 | 13 035 568 | 6 367 929 | 13 035 568 |
| Foreign loans | 19 | 21 739 659 | 21 806 244 | 21 739 659 | 21 806 244 |
| Current taxation liabilities | | 4 066 | 8 327 | 3 445 | 0 |
| Notes and coin in circulation | 20 | 52 822 913 | 49 439 694 | 52 822 913 | 49 439 694 |
| Employment benefit liabilities | | | | | |
| and other provisions | 21 | 678 418 | 604 928 | 617 001 | 552 270 |
| Gold and Foreign Exchange | | | | | |
| Contingency Reserve Account | 11 | 1 824 430 | 0 | 1 824 430 | 0 |
| Deferred taxation liabilities | 14 | 111 503 | 102 516 | 33 858 | 35 517 |
| Forward exchange | | | | | |
| contract liabilities | 15 | 307 815 | 628 363 | 307 815 | 628 363 |
| Other financial liabilities | 22 | 167 176 | 170 346 | 79 885 | 56 957 |
| Total liabilities | | 165 188 026 | 127 460 784 | 161 929 703 | 123 763 254 |
| Capital and reserves | | | | | |
| Share capital | 23 | 2 000 | 2 000 | 2 000 | 2 000 |
| Accumulated profit | | 796 720 | 395 248 | 0 | 83 896 |
| Statutory reserve fund | | 364 732 | 362 963 | 364 732 | 362 963 |
| Contingency reserve | | 5 121 041 | 4 320 768 | 5 041 285 | 4 241 285 |
| Bond revaluation reserve | | 863 915 | 518 225 | 863 915 | 518 225 |
| Plant replacement reserve | | 0 | 393 136 | 0 | 0 |
| Total reserves | | 7 148 408 | 5 992 340 | 6 271 932 | 5 208 369 |
| Total liabilities and reserves | | 172 336 434 | 133 453 124 | 168 201 635 | 128 971 623 |

Income statement for the year ended 31 March 2006

| | Notes | Group | | Bank | |
|----------------------------|-------|-----------|------------------|-----------|------------------|
| | | 2006 | Restated 2005 | 2006 | Restated 2005 |
| | | R'000 | R'000 | R'000 | R'000 |
| Interest income | | 5 796 251 | 3 966 469 | 5 462 849 | 3 617 049 |
| Interest expense | | 3 344 611 | 2 671 551 | 3 073 179 | 2 378 577 |
| Net interest income | | 2 451 640 | 1 294 918 | 2 389 670 | 1 238 472 |
| Dividend income | | 18 854 | 16 673 | 19 038 | 16 856 |
| Operating income | | 322 518 | 1 250 497 | 233 626 | 1 159 969 |
| Total income | 24.1 | 2 793 012 | 2 562 088 | 2 642 334 | 2 415 297 |
| Operating costs | 24.2 | 1 612 892 | 1 569 754 | 1 604 595 | 1 549 637 |
| Profit before taxation | 24 | 1 180 120 | 992 334 | 1 037 739 | 865 660 |
| Taxation | 25 | 341 073 | 306 287 | 303 740 | 274 455 |
| Profit for the year | | 839 047 | 686 047 | 733 999 | 591 205 |
| Dividend per share (cents) | 26 | 10 | 10 | 10 | 10 |

Cash flow statement for the year ended 31 March 2006

| | Notes | Group | | Bank | |
|---|-------|------------------|---------------------------|------------------|---------------------------|
| | | 2006 R'000 | Restated 2005 R'000 | 2006 R'000 | Restated 2005 R'000 |
| Cash flows from operating activities | | | | | |
| Cash generated from/(utilised by) operating activities | 27 | 1 748 140 | (3 032 630) | 1 968 562 | (1 755 526) |
| Taxation paid | | (402 651) | (164 790) | (359 451) | (100 676) |
| Dividends paid | | (200) | (200) | (200) | (200) |
| Transfer to Government | | (10 967) | (109 291) | (5 558) | (70 574) |
| Net cash generated from/(utilised by) operating activities | | 1 334 322 | (3 306 911) | 1 603 353 | (1 926 976) |
| Cash flow (utilised by)/generated from investing activities | | (1 327 700) | 3 319 395 | (1 603 353) | 1 926 976 |
| Purchase of property, plant and equipment | | (53 852) | (192 257) | (25 757) | (69 767) |
| Disposal of property, plant and equipment | | 3 570 | 2 129 | 3 206 | 1 976 |
| Disposal of investments | | 303 384 | 1 514 756 | 0 | 0 |
| Net investment (in)/from Government bonds | | (1 580 802) | 1 994 767 | (1 580 802) | 1 994 767 |
| Net increase in cash and cash equivalents | | 6 622 | 12 484 | 0 | 0 |
| Cash and cash equivalents at beginning of the year | | 18 475 | 5 991 | 0 | 0 |
| Cash and cash equivalents at end of the year | 2 | 25 097 | 18 475 | 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 2006

| | Share capital R'000 | Accumulated profit R'000 | Statutory reserve R'000 | Contingency reserve R'000 | Bond revaluation reserve R'000 | Plant replacement reserve R'000 | Total R'000 |
|---|------------------------|-----------------------------|----------------------------|------------------------------|-----------------------------------|------------------------------------|----------------|
| Balance at 31 March 2004 as reported | 2 000 | 161 729 | 362 346 | 3 746 246 | 652 224 | 318 787 | 5 243 332 |
| Adjustment to PPE (Note 36) | 0 | 208 127 | 0 | 0 | 0 | 0 | 208 127 |
| Gross adjustment | 0 | 291 701 | 0 | 0 | 0 | 0 | 291 701 |
| Deferred taxation thereon | 0 | (83 574) | 0 | 0 | 0 | 0 | (83 574) |
| Balance at 1 April 2004 as restated | 2 000 | 369 856 | 362 346 | 3 746 246 | 652 224 | 318 787 | 5 451 459 |
| Profit for the year (restated) (Note 36) | 0 | 686 047 | 0 | 0 | 0 | 0 | 686 047 |
| Transfer to Government | 0 | (10 967) | 0 | 0 | 0 | 0 | (10 967) |
| Transfer to reserves | 0 | (649 488) | 617 | 574 522 | 0 | 74 349 | 0 |
| Realised gains on "available-for-sale" financial assets | 0 | 0 | 0 | 0 | (568 896) | 0 | (568 896) |
| Gross realised gains | 0 | 0 | 0 | 0 | (812 709) | 0 | (812 709) |
| Taxation thereon | 0 | 0 | 0 | 0 | 243 813 | 0 | 243 813 |
| Fair value adjustments on "available-for-sale" financial assets | 0 | 0 | 0 | 0 | 427 598 | 0 | 427 598 |
| Gross adjustments | 0 | 0 | 0 | 0 | 610 854 | 0 | 610 854 |
| Taxation thereon | 0 | 0 | 0 | 0 | (183 256) | 0 | (183 256) |
| Effect of taxation rate change | 0 | 0 | 0 | 0 | 7 299 | 0 | 7 299 |
| Dividends paid | 0 | (200) | 0 | 0 | 0 | 0 | (200) |
| Balance at 31 March 2005 | 2 000 | 395 248 | 362 963 | 4 320 768 | 518 225 | 393 136 | 5 992 340 |
| Profit for the year | 0 | 839 047 | 0 | 0 | 0 | 0 | 839 047 |
| Transfer to Government | 0 | (28 469) | 0 | 0 | 0 | 0 | (28 469) |
| Net transfer to reserves | 0 | (408 906) | 1 769 | 800 273 | 0 | (393 136) | 0 |
| Realised gains on "available-for-sale" financial assets | 0 | 0 | 0 | 0 | (21 007) | 0 | (21 007) |
| Gross realised gains | 0 | 0 | 0 | 0 | (29 588) | 0 | (29 588) |
| Taxation thereon | 0 | 0 | 0 | 0 | 8 581 | 0 | 8 581 |
| Fair value adjustments on "available-for-sale" financial assets | 0 | 0 | 0 | 0 | 366 697 | 0 | 366 697 |
| Gross adjustments | 0 | 0 | 0 | 0 | 516 475 | 0 | 516 475 |
| Taxation thereon | 0 | 0 | 0 | 0 | (149 778) | 0 | (149 778) |
| Dividends paid | 0 | (200) | 0 | 0 | 0 | 0 | (200) |
| Balance at 31 March 2006 | 2 000 | 796 720 | 364 732 | 5 121 041 | 863 915 | 0 | 7 148 408 |

* Explanatory notes

Plant replacement reserve

A plant replacement reserve was maintained by the South African Bank Note Company (Proprietary) Limited to contribute towards the periodic replacement of plant. This reserve has now been discontinued.

Contingency reserve

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

Bond revaluation reserve

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

Statement of changes in equity: Bank*

For the year ended 31 March 2006

| | Share capital | Accumulated profit | Statutory reserve | Contingency reserve | Bond revaluation reserve | Total |
|---|---------------|--------------------|-------------------|---------------------|--------------------------|-----------|
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Balance at 31 March 2004 as reported | 2 000 | 0 | 362 346 | 3 666 285 | 652 224 | 4 682 855 |
| Adjustment to PPE (Note 36) | 0 | 74 066 | 0 | 0 | 0 | 74 066 |
| Gross adjustment | 0 | 105 808 | 0 | 0 | 0 | 105 808 |
| Deferred taxation thereon | 0 | (31 742) | 0 | 0 | 0 | (31 742) |
| Balance at 1 April 2004 as restated | 2 000 | 74 066 | 362 346 | 3 666 285 | 652 224 | 4 756 921 |
| Profit for the year restated | 0 | 591 205 | 0 | 0 | 0 | 591 205 |
| Transfer to Government | 0 | (5 558) | 0 | 0 | 0 | (5 558) |
| Transfer to reserves | 0 | (575 617) | 617 | 575 000 | 0 | 0 |
| Realised gains on "available-for-sale" financial assets | 0 | 0 | 0 | 0 | (568 896) | (568 896) |
| Gross realised gains | 0 | 0 | 0 | 0 | (812 709) | (812 709) |
| Taxation thereon | 0 | 0 | 0 | 0 | 243 813 | 243 813 |
| Fair value adjustments on "available-for-sale" financial assets | 0 | 0 | 0 | 0 | 427 598 | 427 598 |
| Gross adjustments | 0 | 0 | 0 | 0 | 610 854 | 610 854 |
| Taxation thereon | 0 | 0 | 0 | 0 | (183 256) | (183 256) |
| Effect of taxation rate change | 0 | 0 | 0 | 0 | 7 299 | 7 299 |
| Dividends paid | 0 | (200) | 0 | 0 | 0 | (200) |
| Balance at 31 March 2005 | 2 000 | 83 896 | 362 963 | 4 241 285 | 518 225 | 5 208 369 |
| Profit for the year | 0 | 733 999 | 0 | 0 | 0 | 733 999 |
| Transfer to Government | 0 | (15 926) | 0 | 0 | 0 | (15 926) |
| Transfer to reserves | 0 | (801 769) | 1 769 | 800 000 | 0 | 0 |
| Realised gains on "available-for-sale" financial assets | 0 | 0 | 0 | 0 | (21 007) | (21 007) |
| Gross realised gains | 0 | 0 | 0 | 0 | (29 588) | (29 588) |
| Taxation thereon | 0 | 0 | 0 | 0 | 8 581 | 8 581 |
| Fair value adjustments on "available-for-sale" financial assets | 0 | 0 | 0 | 0 | 366 697 | 366 697 |
| Gross adjustments | 0 | 0 | 0 | 0 | 516 475 | 516 475 |
| Taxation thereon | 0 | 0 | 0 | 0 | (149 778) | (149 778) |
| Dividends paid | 0 | (200) | 0 | 0 | 0 | (200) |
| Balance at 31 March 2006 | 2 000 | 0 | 364 732 | 5 041 285 | 863 915 | 6 271 932 |

Explanatory notes (continued)

Statutory reserve

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

Transfer to Government

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

Notes to the financial statements

1. Accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. The accounting policies have been applied consistently with those adopted in the previous year except for changes as a result of the following:

Property, plant and equipment

The group has elected to measure certain items of property, plant and equipment (PPE) using the fair values as their deemed cost at 1 April 2004. The prior year's reported figures were adjusted (refer to Note 12).

Residual values were not previously applied to items of property, plant and equipment. The Bank has estimated the residual values with regard to certain items and the prior year's reported figures were adjusted as the effect on the prior year was considered to be material. The useful lives of property, plant and equipment were re-assessed and depreciation periods were changed in accordance with these estimates. The prior year's reported figures were adjusted (refer to Note 36).

Presentation of financial statements

The group has amended its balance sheet by grouping assets and liabilities by nature and listing them in an order that reflects their relative liquidity. The format of the income statement has also been amended.

1.1 Basis of presentation

These consolidated annual financial statements have been prepared in accordance with the South African Reserve Bank Act, No 90 of 1989 and the accounting policies set out in Note 1 to the financial statements.

1.2 Consolidation

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

Investments in subsidiaries

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

1.3 Financial instruments

Classification

Financial instruments as reflected on the balance sheet include all financial assets and financial liabilities, including derivative instruments, but exclude investments in subsidiaries, employee benefit plans, property, plant and equipment, deferred

taxation and taxation payable or prepaid. Management determines the appropriate classification at initial recognition of the financial instrument. Financial instruments are classified as follows:

Financial assets

Loans and receivables

The following financial assets have been classified as loans and receivables: Loans and advances; call accounts and deposits; amounts due by the South African Government; foreign deposits; accommodation to banks; other assets; and cash and cash equivalents.

Fair value through profit and loss financial assets

The following items have been designated as fair value through profit and loss financial assets: Derivatives with positive fair values; foreign money-market instruments; local and foreign portfolio investments; and other investments by subsidiaries (refer to Note 9).

Held-to-maturity financial assets

No financial assets have been classified as held to maturity.

Available-for-sale financial assets

South African Government bonds have been classified as available-for-sale financial assets.

Financial liabilities

Fair value through profit and loss financial liabilities

Derivatives with negative fair values have been classified as fair value through profit and loss financial liabilities.

Other financial liabilities

The following financial liabilities have been classified as other financial liabilities: Notes and coin issued; foreign loans; South African Reserve Bank debentures; deposit accounts; and creditors.

Related matters

Embedded derivatives

Embedded derivatives included in hybrid instruments are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the hybrid contract is not designated as a fair value through

profit and loss financial liability. Embedded derivatives are treated as fair value through profit and loss financial instruments and the host contracts are accounted for by applying the rules of the relevant category of that financial instrument.

Recognition

Fair value through profit and loss financial assets and available-for-sale financial assets are recognised on the date the entity becomes party to the contractual provisions to purchase the assets and trade date accounting is applied for "regular way" purchases and sales. From this date any gains or losses arising from changes in fair value of the assets are recognised. Loans and receivables, and other financial liabilities, are recognised on the day they are transferred to the Bank or the day the funds are advanced.

Measurement

Initial measurement

A financial asset or financial liability is initially measured at fair value, plus, in the case of a financial asset or financial liability not at fair value through profit and loss, transaction costs directly attributed to the acquisition of the financial asset or liability.

Subsequent measurement

Fair value through profit and loss financial assets and available-for-sale financial assets.

Fair value through profit and loss financial liabilities and available-for-sale financial asset is carried at fair value. Fair values are established as follows:

(i) Derivatives

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

(ii) Foreign marketable money-market investments

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

(iii) Local and foreign portfolio investments

The fair values of portfolio investments are determined by using the quoted fair values as obtained from portfolio managers. Where these instruments are bank deposits they are valued at nominal values plus accrued interest based on market rates. These values approximate fair values.

(iv) South African Government bonds

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

(v) Loans and receivables, and non-trading liabilities

Loans and receivables, and non-trading liabilities are measured at amortised cost and are re-measured for impairment losses except as set out below:

- a Non-interest bearing deposit accounts, the Gold and Foreign Exchange Contingency Reserve Account and the loan to a subsidiary are accounted for at cost, as these accounts do not have fixed maturity dates.
- b Notes and coin issued are measured at cost as this liability does not have a fixed maturity date. The banknotes and coin in circulation represent the nominal value of all banknotes held by the public and the banks, including recalled, still exchangeable banknotes from previous series.
- c Accounts payable are stated at cost which approximates fair value due to the short-term nature thereof.

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

Impairment of financial assets

A review for impairment is carried out at each financial year-end. A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. All impairment losses are recognised in the income statement except for "available-for-sale" financial assets.

Where a financial asset which is held available-for-sale is impaired, and an increase in the fair value of the financial asset was previously recognised in equity, the cumulative increase in the fair value of the financial asset recognised in equity is reversed to the income statement. Any additional impairment loss is recognised in the income statement. If, in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event after the write-down, the write-down is reversed through the income statement.

Gains and losses on subsequent measurement

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

Gains and losses arising from a change in the fair value of fair value through profit and loss financial instruments are recognised in the income statement of the period in which it arises.

Hedge accounting

Hedge accounting has not been applied on any transactions for the year under review.

Offsetting

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

1.4 Foreign currency activities

The group consists entirely of entities whose functional currency is the South African rand. Foreign currencies are all currencies other than the functional currency.

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

Gains and losses of the subsidiaries arising on translation are recognised in the income statement. Foreign exchange profits and losses of the Bank are for the account of the Government and consequently all these profits and losses are transferred to the Gold and Foreign Exchange Contingency Reserve Account in terms of sections 25 to 28 of the Act.

1.5 Property, plant and equipment

Freehold land is carried at cost less accumulated impairment losses. Other items of property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is determined separately for each significant part of an item of property, plant and equipment and is charged so as to write off the cost or valuation of the assets (other than land and items under construction) to their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives of the assets have been disclosed in Note 12.

Residual values and estimated useful lives are assessed on an annual basis.

Surpluses or deficits on the disposal of property and equipment are recognised in the income statement. The surplus or deficit is the difference between the net disposal proceeds and the carrying amount of the asset.

1.6 Impairment of other assets

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

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

1.7 Gold

Gold is held by the Bank as part of its foreign reserves. Gold is initially recorded at the prevailing rates at initial recognition date, including transaction costs. Subsequent to initial measurement, it is measured as follows: Physical gold held by the Bank is valued at the statutory price. The statutory price is the quoted spot rate at year-end. Gold loans are measured at the quoted spot rate at year-end. Physical gold held by the subsidiaries is measured at the quoted spot price as at year-end.

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

1.8 Taxation

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

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

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

1.9 Pension and retirement funds

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

1.10 Post-retirement medical benefits

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

1.11 Sale and repurchase agreements

The Bank has entered into repurchase agreements as part of its monetary policy activities. Securities purchased under agreements to resell are recorded under the heading "Accommodation to banks" as loans and receivables. Securities sold under agreement to repurchase are disclosed as reverse repurchase agreements included in deposit accounts.

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

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

1.12 Inventories

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

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

Consumable stores are valued at the weighted average purchase price.

Maintenance spares are valued at average cost.

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

Note printing and coin-minting expenses include ordering, printing, minting, freight, insurance and handling costs. These costs are recorded as part of work-

in-progress stock for the South African Bank Note Company (Proprietary) Limited and the South African Mint Company (Proprietary) Limited and are released to the income statement when the currency is sold to the Bank.

1.13 Cash flow

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

1.14 Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provision for leave pay and bonus

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

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

Provision for post-retirement medical costs

Medical-aid premiums are paid for retired staff under certain conditions. The amount provided is determined annually by actuarial calculations as set out in more detail in Note 29.

Provision for professional fees

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

1.15 Turnover

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

1.16 Revenue recognition

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

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

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

1.17 Use of estimates

To arrive at the carrying amounts of assets and liabilities and reported income and expenses, as well as disclosures of contingent assets and liabilities, management made certain estimates. These estimates are based on assumptions and judgements which depend on available information.

Estimates have been made primarily in the following areas: Residual values and useful lives of property, plant and equipment; and post-retirement benefits.

The estimates made have been disclosed in Notes 12 and 29.

1.18 Errors, changes in accounting policies and accounting estimates

Errors

The comparative amounts presented for the prior period in which an error occurred, or in the case of an error which occurred prior to the earliest prior period presented, the opening balances of the assets, liabilities and equity for the earliest period presented, are adjusted as if the error had not occurred.

Change in accounting policies

Changes in accounting policies are accounted for retrospectively by applying the new policies to transactions, other events and conditions as if the new accounting policies had always been applied.

Changes in accounting estimates

Changes in accounting estimates are accounted for prospectively by recognising the effect of the change in accounting estimate in the current and future periods affected by the change.

2. Cash and cash equivalents

| | Group | | Bank | |
|------------------------|---------------|---------------|---------------|---------------|
| | 2006 R'000 | 2005 R'000 | 2006 R'000 | 2005 R'000 |
| Bank and cash balances | 25 097 | 18 475 | 0 | 0 |

3. Accommodation to banks

| | | | | |
|---|------------|------------|------------|------------|
| Repurchase agreements | 12 800 000 | 13 305 000 | 12 800 000 | 13 305 000 |
| Application of cash reserve balances | 425 787 | 165 436 | 425 787 | 165 436 |
| Accrued interest | 7 364 | 5 405 | 7 364 | 5 405 |
| | 13 233 151 | 13 475 841 | 13 233 151 | 13 475 841 |

The following table represents details of the collateral provided:

| | Group | | Bank | |
|------------------------------------|--------------|--------------|--------------|--------------|
| | 2006 | 2005 | 2006 | 2005 |
| Market value of collateral (R'000) | 12 866 094 | 13 336 324 | 12 866 094 | 13 336 324 |
| Collateral cover | 100,52% | 100,24% | 100,52% | 100,24% |
| Maturity date | 5 April 2006 | 6 April 2005 | 5 April 2006 | 6 April 2005 |

4. South African Government bonds

| | R'000 | R'000 | R'000 | R'000 |
|---|-----------|-----------|-----------|-----------|
| Unlisted Government bonds: Zero coupon | 111 | 111 | 111 | 111 |
| Listed Government bonds: Interest bearing | 9 408 037 | 7 341 256 | 9 408 037 | 7 341 256 |
| Accrued interest | 110 774 | 80 278 | 110 774 | 80 278 |
| | 9 518 922 | 7 421 645 | 9 518 922 | 7 421 645 |

The zero-coupon bonds have been valued at their nominal value. The interest-bearing bonds are shown at fair market value. Bonds to the value of R1,5 billion have been encumbered to secure reverse repurchase agreements (refer to Note 17).

5. Loans and advances

| | | | | |
|-----------------------|--------|--------|--------|--------|
| Secured foreign loans | 72 554 | 60 435 | 72 554 | 60 435 |
|-----------------------|--------|--------|--------|--------|

The loan facility of R75 million expires on 31 December 2006 if not renegotiated. It is secured by a pledge of South African Land Bank bills to the value of R83,5 million and earns interest on the outstanding balance at the repurchase rate.

6. Investment in and amounts due by/(to) subsidiaries

| | | |
|--|---------------------|--------------------|
| Unlisted shares at cost | 279 000 | 279 000 |
| Corporation for Public Deposits | 2 000 | 2 000 |
| South African Mint Company (Proprietary) Limited | 206 000 | 206 000 |
| South African Bank Note Company (Proprietary) Limited | 61 000 | 61 000 |
| South African Reserve Bank Captive Insurance Company Limited | 10 000 | 10 000 |
| Amounts due by subsidiaries | 172 892 | 154 555 |
| Loan – South African Bank Note Company (Proprietary) limited | 25 443 | 13 675 |
| Corporation for Public Deposits – current account | 147 449 | 140 880 |
| Amounts due to subsidiaries | (10 529 199) | (5 968 649) |
| South African Reserve Bank Captive Insurance Company Limited | (570) | (1) |
| Corporation for Public Deposits – call deposit | (10 528 629) | (5 968 648) |
| Net investment in subsidiaries | (10 077 307) | (5 535 094) |

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

The call deposit placed with the Bank by the Corporation for Public Deposits and bears interest at market rates.

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

| | Group | | Bank | |
|---------------------------------------|--------------------|-------------------|--------------------|-------------------|
| | 2006 R'000 | 2005 R'000 | 2006 R'000 | 2005 R'000 |
| 7. Gold and foreign exchange | | | | |
| Gold coin and bullion | 14 504 468 | 10 637 081 | 14 504 468 | 10 637 081 |
| Money-market instruments and deposits | 96 875 182 | 73 811 895 | 96 875 182 | 73 811 895 |
| Medium-term notes | 2 983 955 | 2 578 834 | 2 983 955 | 2 578 834 |
| Managed funds | 27 513 937 | 11 477 866 | 27 513 937 | 11 477 866 |
| Accruals | 241 142 | 157 626 | 241 142 | 157 626 |
| | 142 118 684 | 98 663 302 | 142 118 684 | 98 663 302 |

Gold coin and bullion consists of 3 987 964 fine ounces of gold at the statutory price of R3 637,06 per ounce (2005 – 3 984 649 fine ounces at R2 669,52 per ounce).

8. Inventories

| | | | | |
|--------------------|----------------|----------------|--------------|--------------|
| Raw materials | 105 700 | 118 132 | 0 | 0 |
| Work in progress | 77 947 | 54 614 | 0 | 0 |
| Consumables stores | 16 654 | 13 977 | 7 423 | 6 144 |
| Maintenance spares | 5 609 | 4 987 | 0 | 0 |
| Finished goods | 12 032 | 10 827 | 0 | 0 |
| | 217 942 | 202 537 | 7 423 | 6 144 |

9. Investments

| | | | | |
|---|------------------|------------------|----------|----------|
| Local registered bonds | 160 748 | 219 313 | 0 | 0 |
| Short-term South African money-market investments | 3 711 667 | 3 981 785 | 0 | 0 |
| Insurance products | 0 | 10 082 | 0 | 0 |
| Preference shares | 314 | 283 | 0 | 0 |
| | 3 872 729 | 4 211 463 | 0 | 0 |

10. Amounts due by the South African Government

| | | | | |
|---|------------------|------------------|------------------|------------------|
| IMF accounts administered on behalf of the South African Government | 796 515 | 797 112 | 796 515 | 797 112 |
| Government of Namibia debt taken over by the South African Government | 282 226 | 301 526 | 282 226 | 301 526 |
| Net amount due by the South African Government | 1 078 741 | 1 098 638 | 1 078 741 | 1 098 638 |

No settlement terms have been agreed in respect of the IMF balances administered on behalf of the South African Government. The amount is interest free. The Namibian debt taken over by the South African Government is being settled over the next five years in terms of an agreement with the Government. The outstanding balance yields a 17% return.

| | Group | | Bank | |
|---|---------------|---------------|---------------|---------------|
| | 2006 R'000 | 2005 R'000 | 2006 R'000 | 2005 R'000 |
| 11. Gold and Foreign Exchange Contingency Reserve Account | | | | |
| Opening balance | 4 746 586 | 14 866 127 | 4 746 586 | 14 866 127 |
| Profit on gold price adjustment account | (3 889 882) | (1 044 263) | (3 889 882) | (1 044 263) |
| Profit on forward-exchange contract adjustment account | (1 088 280) | (1 924 209) | (1 088 280) | (1 924 209) |
| (Loss)/profit on foreign-exchange adjustment account | 2 474 410 | (314 480) | 2 474 410 | (314 480) |
| Movement in unrealised gains and losses on forward exchange contracts | 471 943 | 2 624 204 | 471 943 | 2 624 204 |
| | 2 714 777 | 14 207 379 | 2 714 777 | 14 207 379 |
| Repayments | (4 539 207) | (9 460 793) | (4 539 207) | (9 460 793) |
| Amount due (to)/by Government | (1 824 430) | 4 746 586 | (1 824 430) | 4 746 586 |
| Balance composition | | | | |
| Balance currently due (to)/by Government | (1 750 929) | 5 292 031 | (1 750 929) | 5 292 031 |
| Unrealised gains and losses on forward exchange contracts (Note 15) | (73 501) | (545 445) | (73 501) | (545 445) |
| | (1 824 430) | 4 746 586 | (1 824 430) | 4 746 586 |

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 revaluation profits and losses incurred on gold and foreign exchange transactions which are for the account of the South African Government. Settlement of this account is subject to agreement from time to time between the Bank and the Government.

12. Property, plant and equipment

12.1 Group: 2006

| | Land R'000 | Buildings R'000 | Plant, vehicles, furniture and equipment R'000 | Work in progress R'000 | Total R'000 |
|---|---------------|--------------------|--|------------------------------|----------------|
| Cost | | | | | |
| Cost at 31 March 2005 | 41 257 | 494 391 | 1 272 556 | 45 261 | 1 853 465 |
| Additions | 0 | 12 551 | 31 370 | 9 931 | 53 852 |
| Transfers in/(out) | 0 | 11 | 25 946 | (25 957) | 0 |
| Disposals | (1 729) | 0 | (60 637) | (1 758) | (64 124) |
| Cost at 31 March 2006 | 39 528 | 506 953 | 1 269 235 | 27 477 | 1 843 193 |
| Accumulated depreciation | | | | | |
| Accumulated depreciation at 31 March 2005 | 0 | 154 793 | 625 061 | 0 | 779 854 |
| Charge for the year | 0 | 10 591 | 106 745 | 0 | 117 336 |
| Disposals | 0 | 0 | (60 524) | 0 | (60 524) |
| Accumulated depreciation at 31 March 2006 | 0 | 165 384 | 671 282 | 0 | 836 666 |
| Net book value at 31 March 2006 | 39 528 | 341 569 | 597 953 | 27 477 | 1 006 527 |
| Estimated useful lives (in years) | | 50 | 5 to 15 | | |
| Insurance value of fixed assets (on a "future replacement basis" which takes into account the expected construction times). | | | | | 6 736 617 |

Group: 2005

| | Land R'000 | Buildings R'000 | Plant, vehicles, furniture and equipment R'000 | Work in progress R'000 | Total R'000 |
|--|---------------|--------------------|--|------------------------------|----------------|
| Cost | | | | | |
| Cost at 31 March 2004 | 41 769 | 488 397 | 1 177 785 | 29 174 | 1 737 125 |
| PPE adjustment* | (512) | 2 086 | (42 818) | 0 | (41 244) |
| Adjusted cost at 1 April 2004 | 41 257 | 490 483 | 1 134 967 | 29 174 | 1 695 881 |
| Additions | 0 | 914 | 152 439 | 38 904 | 192 257 |
| Transfers in/(out) | 0 | 4 208 | 14 406 | (18 614) | 0 |
| Disposals | 0 | (1 214) | (29 256) | (4 203) | (34 673) |
| Cost at 31 March 2005 | 41 257 | 494 391 | 1 272 556 | 45 261 | 1 853 465 |
| Accumulated depreciation | | | | | |
| Accumulated depreciation at 31 March 2004 | 0 | 139 718 | 889 639 | 0 | 1 029 357 |
| Adjustment regarding revised expected useful lives** | 0 | 5 779 | (338 724) | 0 | (332 945) |
| Accumulated depreciation at 31 March 2004 as restated | 0 | 145 497 | 550 915 | 0 | 696 412 |
| Charge for the year (restated) | 0 | 10 510 | 99 869 | 0 | 110 379 |
| Disposals | 0 | (1 214) | (25 723) | 0 | (26 937) |
| Accumulated depreciation at 31 March 2005 | 0 | 154 793 | 625 061 | 0 | 779 854 |
| Net book value at 31 March 2005 | 41 257 | 339 598 | 647 495 | 45 261 | 1 073 611 |

Insurance value of fixed assets (on a "future replacement basis"
which takes into account the expected construction times).

6 521 687

* PPE adjustment

The SA Mint Company used the fair value of certain items of property, plant and equipment as its deemed cost (refer to Note 36).

**Adjustment regarding revised expected useful lives

A retrospective adjustment was made to accumulate depreciation following a review of the expected useful lives of property, plant and equipment.

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

12.2 Bank: 2006

| | Land R'000 | Buildings R'000 | Plant, vehicles, furniture and equipment R'000 | Work in progress R'000 | Total R'000 |
|---|---------------|--------------------|--|------------------------------|----------------|
| Cost | | | | | |
| Cost at 31 March 2005 | 31 562 | 374 682 | 718 330 | 45 261 | 1 169 835 |
| Additions | 0 | 72 | 18 940 | 6 745 | 25 757 |
| Transfers in/(out) | 0 | 11 | 25 946 | (25 957) | 0 |
| Disposals | (1 729) | 0 | (51 877) | (1 758) | (55 364) |
| Cost at 31 March 2005 | 29 833 | 374 765 | 711 339 | 24 291 | 1 140 228 |
| Accumulated depreciation | | | | | |
| Accumulated depreciation at 31 March 2005 | 0 | 114 542 | 433 256 | 0 | 547 798 |
| Charge for the year | 0 | 7 891 | 66 222 | 0 | 74 113 |
| Disposals | 0 | 0 | (51 767) | 0 | (51 767) |
| Accumulated depreciation at 31 March 2006 | 0 | 122 433 | 447 711 | 0 | 570 144 |
| Net book value at 31 March 2006 | 29 833 | 252 332 | 263 628 | 24 291 | 570 084 |

Estimated useful lives (in years) 50 5 to 15

Insurance value of fixed assets (on a "future replacement basis" which takes into account the expected construction times). 3 675 672

Bank: 2005

| | | | | | |
|---|--------|---------|-----------|----------|-----------|
| Cost | | | | | |
| Cost at 31 March 2004 | 31 562 | 370 848 | 694 529 | 29 174 | 1 126 113 |
| Additions | 0 | 914 | 29 949 | 38 904 | 69 767 |
| Transfers in/(out) | 0 | 4 134 | 14 480 | (18 614) | 0 |
| Disposals | 0 | (1 214) | (20 628) | (4 203) | (26 045) |
| Cost at 31 March 2005 | 31 562 | 374 682 | 718 330 | 45 261 | 1 169 835 |
| Accumulated depreciation | | | | | |
| Accumulated depreciation at 31 March 2004 | 0 | 107 980 | 496 034 | 0 | 604 014 |
| Adjustment regarding revised expected useful lives* | 0 | 0 | (105 808) | 0 | (105 808) |
| Accumulated depreciation at 31 March 2004 as restated | 0 | 107 980 | 390 226 | 0 | 498 206 |
| Charge for the year (restated) | 0 | 7 776 | 61 773 | 0 | 69 549 |
| Disposals | 0 | (1 214) | (18 743) | 0 | (19 957) |
| Accumulated depreciation at 31 March 2005 | 0 | 114 542 | 433 256 | 0 | 547 798 |
| Net book value at 31 March 2005 | 31 562 | 260 140 | 285 074 | 45 261 | 622 037 |

Insurance value of fixed assets (on a "future replacement basis" which takes into account the expected construction times). 3 475 267

* A retrospective adjustment was made to accumulated depreciation following a review of the expected useful lives of property, plant and equipment.

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

| | Group | | Bank | |
|--|---------------|---------------|---------------|---------------|
| | 2006 R'000 | 2005 R'000 | 2006 R'000 | 2005 R'000 |
| 13. Equity investment in Bank for International Settlements | | | | |
| Unlisted shares at valuation | 233 289 | 169 145 | 233 289 | 169 145 |

The equity of the Bank for International Settlements (BIS) is held by the central banks of the world and the value of each central bank's share is calculated annually by the BIS on a net asset value basis. The shares cannot be sold at the Bank's discretion.

14. Deferred taxation assets and liabilities

| | | | | |
|---|----------------|----------------|----------------|----------------|
| Balance at beginning of the year | 115 816 | 170 525 | 171 777 | 202 288 |
| Adjustment due to restatement of PPE | 0 | (83 574) | 0 | (31 742) |
| Restated balance at beginning of the year | 115 816 | 86 951 | 171 777 | 170 546 |
| Income statement credit | 705 | 28 865 | 3 329 | 1 231 |
| Balance at end of the year | 116 521 | 115 816 | 175 106 | 171 777 |
| Comprising: | | | | |
| Deferred taxation asset | 228 024 | 218 332 | 208 964 | 207 294 |
| Deferred taxation liability | (111 503) | (102 516) | (33 858) | (35 517) |
| <i>Net deferred taxation asset</i> | 116 521 | 115 816 | 175 106 | 171 777 |

Deferred taxation assets and liabilities are attributed as set out in Notes 14.1 and 14.2.

14.1 Group

| | Balances as at 31 March 2006 | Income statement credit (debit) | Balance at 31 March 2005 |
|--|---------------------------------|---------------------------------------|-----------------------------|
| | R'000 | R'000 | R'000 |
| Property, plant and equipment | (107 249) | (5 453) | (101 796) |
| Post-retirement medical costs | 183 751 | 20 597 | 163 154 |
| Provisions | 13 781 | 2 091 | 11 690 |
| Deferred retirement fund contributions | 1 567 | (4 518) | 6 085 |
| Deferred software development costs | 821 | (578) | 1 399 |
| Non-vested reinsurance benefit | (4 254) | (4 254) | 0 |
| Fair value adjustment to impaired assets | 27 546 | (8 458) | 36 004 |
| Prepaid expenditure and other items | 558 | 1 278 | (720) |
| Total | 116 521 | 705 | 115 816 |

14.2 Bank

| | | | |
|---|----------------|--------------|----------------|
| Property, plant and equipment | (33 858) | 409 | (34 267) |
| Deferred retirement fund contributions | 1 567 | (4 518) | 6 085 |
| Fair value adjustments to impaired assets | 27 546 | (12 106) | 39 652 |
| Post-retirement medical costs | 167 699 | 17 182 | 150 517 |
| Deferred software development costs | 821 | (578) | 1 399 |
| Provisions | 11 231 | 1 590 | 9 641 |
| Prepaid expenditure and other items | 100 | 1 350 | (1 250) |
| Total | 175 106 | 3 329 | 171 777 |

| | Group | | Bank | |
|---|---------------|---------------|---------------|---------------|
| | 2006 R'000 | 2005 R'000 | 2006 R'000 | 2005 R'000 |
| 15. Forward exchange contracts | | | | |
| Unrealised gain on forward exchange contracts | 381 316 | 1 173 808 | 381 316 | 1 173 808 |
| Unrealised loss on forward exchange contracts | (307 815) | (628 363) | (307 815) | (628 363) |
| Net gain credited to Gold and Foreign Exchange Contingency Reserve Account (refer to Note 11) | 73 501 | 545 445 | 73 501 | 545 445 |

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

16. Other assets

| | | | | |
|----------------------|---------|---------|---------|---------|
| Financial assets | 246 701 | 753 300 | 232 815 | 736 055 |
| Non-financial assets | 98 115 | 76 779 | 93 800 | 71 768 |
| | 344 816 | 830 079 | 326 615 | 807 823 |

17. Deposit accounts

| | | | | |
|---|------------|------------|------------|------------|
| <i>Non-interest bearing</i> | 66 097 236 | 26 621 795 | 66 097 236 | 24 992 968 |
| Banks' reserve accounts | 27 959 027 | 22 770 714 | 27 959 027 | 22 770 714 |
| Government accounts | 37 962 520 | 3 752 500 | 37 962 520 | 2 123 673 |
| Other current accounts | 175 689 | 98 581 | 175 689 | 98 581 |
| <i>Interest bearing</i> | 15 066 881 | 15 043 003 | 1 506 333 | 7 247 024 |
| Reverse repurchase agreements | 1 506 333 | 7 219 476 | 1 506 333 | 7 219 476 |
| Margin calls – repurchase transactions | 0 | 27 548 | 0 | 27 548 |
| Call deposits | 13 560 548 | 7 795 979 | 0 | 0 |
| | 81 164 117 | 41 664 798 | 67 603 569 | 32 239 992 |
| Maturity structure of deposit accounts | | | | |
| Repayable on demand | 51 698 757 | 11 647 060 | 38 138 209 | 2 222 254 |
| Repayable within 30 days | 28 712 193 | 30 017 738 | 28 712 193 | 30 017 738 |
| Repayable within 34 days | 753 167 | 0 | 753 167 | 0 |
| | 81 164 117 | 41 664 798 | 67 603 569 | 32 239 992 |
| The reverse repurchase agreements are secured by Government bonds as follows: | | | | |
| Market value | 1 517 359 | 7 178 997 | 1 517 359 | 7 178 997 |
| Collateral cover (per cent) | 100,73% | 99,44% | 100,73% | 99,44% |

| | Group | | Bank | |
|--|------------------|-------------------|------------------|-------------------|
| | 2006 R'000 | 2005 R'000 | 2006 R'000 | 2005 R'000 |
| 18. South African Reserve Bank debentures | | | | |
| Capital | 6 350 000 | 13 000 000 | 6 350 000 | 13 000 000 |
| Accrued interest | 17 929 | 35 568 | 17 929 | 35 568 |
| | 6 367 929 | 13 035 568 | 6 367 929 | 13 035 568 |

The South African Reserve Bank debentures are issued to the market on tender, normally for 28 or 56-day terms. The debentures are unsecured. Details of the debentures in issue at 31 March 2006 are as follows:

| Maturity date | Interest rate (Per cent) | Capital (R million) |
|---------------|-----------------------------|------------------------|
| 5 April 2006 | 6,65 | 1 200 |
| 5 April 2006 | 6,80 | 350 |
| 12 April 2006 | 6,49 | 1 000 |
| 12 April 2006 | 6,82 | 300 |
| 19 April 2006 | 6,51 | 1 500 |
| 26 April 2006 | 6,51 | 2 000 |
| | | <u>6 350</u> |

| | | | | |
|--------------------------|------------|------------|------------|------------|
| 19. Foreign loans | 21 739 659 | 21 806 244 | 21 739 659 | 21 806 244 |
|--------------------------|------------|------------|------------|------------|

Foreign loans represent unsecured credit lines utilised and bear interest at market-related rates. Analyses of the currency composition and maturity structure of these loans are set out in Note 32.

20. Notes and coin in circulation

| | | | | |
|-------|-------------------|-------------------|-------------------|-------------------|
| Notes | 50 056 595 | 46 871 807 | 50 056 595 | 46 871 807 |
| Coin | 2 766 318 | 2 567 887 | 2 766 318 | 2 567 887 |
| | 52 822 913 | 49 439 694 | 52 822 913 | 49 439 694 |

The liability for notes and coin issued is the net liability after offsetting notes and coin held by the Bank as cash on hand because cash held by the central bank does not represent currency in circulation.

21. Employment benefit liabilities and other provisions

| Group | Leave pay and bonuses R'000 | Post-retirement medical costs R'000 | Retrenchment costs R'000 | Professional fees R'000 | Total R'000 |
|--------------------------|--------------------------------|--|-----------------------------|----------------------------|----------------|
| Balance at 1 April 2004 | 42 061 | 466 570 | 590 | 93 | 509 314 |
| Increase in provision | 18 219 | 117 129 | 0 | 0 | 135 348 |
| Utilised during the year | (18 518) | (20 599) | (590) | (27) | (39 734) |
| Balance at 31 March 2005 | 41 762 | 563 100 | 0 | 66 | 604 928 |
| Increase in provision | 14 787 | 95 233 | 0 | 73 | 110 093 |
| Utilised during the year | (12 396) | (24 207) | 0 | 0 | (36 603) |
| Balance at 31 March 2006 | 44 153 | 634 126 | 0 | 139 | 678 418 |
| Bank | | | | | |
| Balance at 1 April 2004 | 32 964 | 428 519 | 0 | 0 | 461 483 |
| Increase in provision | 7 459 | 109 611 | 0 | 0 | 117 070 |
| Utilised during the year | (7 177) | (19 106) | 0 | 0 | (26 283) |
| Balance at 31 March 2005 | 33 246 | 519 024 | 0 | 0 | 552 270 |
| Increase in provision | 9 052 | 81 761 | 0 | 0 | 90 813 |
| Utilised during the year | (3 571) | (22 511) | 0 | 0 | (26 082) |
| Balance at 31 March 2006 | 38 727 | 578 274 | 0 | 0 | 617 001 |

22. Other financial liabilities

| | Group | | Bank | |
|--------------------------------------|---------------|---------------|---------------|---------------|
| | 2006 R'000 | 2005 R'000 | 2006 R'000 | 2005 R'000 |
| Accounts payable and sundry balances | 167 176 | 170 346 | 79 885 | 56 957 |

23. Share capital

Authorised and issued

2 000 000 shares
(2005 – 2 000 000
shares) of R1 each

| | | | |
|-------|-------|-------|-------|
| 2 000 | 2 000 | 2 000 | 2 000 |
|-------|-------|-------|-------|

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

| | Group | | Bank | |
|---|---------------|---------------|---------------|---------------|
| | 2006 R'000 | 2005 R'000 | 2006 R'000 | 2005 R'000 |
| 24. Profit before taxation | | | | |
| 24.1 Total income is stated after crediting | | | | |
| Income from investments | 18 866 | 15 767 | 18 838 | 16 656 |
| Dividends | 18 854 | 16 673 | 18 838 | 16 656 |
| Realised and unrealised (loss)/profit on investments | 12 | (906) | 0 | 0 |
| Income from subsidiaries | | | 10 594 | 11 507 |
| Dividends | | | 200 | 200 |
| Interest | | | 9 321 | 10 264 |
| Administration fees | | | 1 073 | 1 043 |
| Realised gains on South African Government bonds | 29 588 | 812 709 | 29 588 | 812 709 |
| Fair value adjustments to financial instruments | (1 300) | (9 778) | 0 | 0 |
| Commission on banking services | 93 940 | 338 193 | 93 940 | 338 193 |
| 24.2 Operating costs include | | | | |
| Directors' remuneration (Note 35) | | | 8 720 | 7 794 |
| From the Bank for services as directors | | | 1 031 | 898 |
| From the Bank for other services | | | 7 689 | 6 896 |
| Depreciation | 117 336 | 110 379 | 74 113 | 69 549 |
| Buildings | 10 591 | 10 510 | 7 891 | 7 776 |
| Plant, vehicles, furniture and equipment | 106 745 | 99 869 | 66 222 | 61 773 |
| Net loss on disposal of: | 30 | 5 607 | 391 | 4 112 |
| Land | (199) | 0 | (201) | 0 |
| Buildings | 0 | 0 | 0 | 0 |
| Plant, vehicles, furniture and equipment | 229 | 5 607 | 592 | 4 112 |
| Auditors' remuneration | 6 695 | 5 849 | 5 084 | 4 482 |
| Audit fees | 6 108 | 5 208 | 4 960 | 4 395 |
| Underprovision for previous year | 387 | 361 | 0 | 0 |
| Fees for other services | 95 | 270 | 19 | 39 |
| Expenses | 105 | 10 | 105 | 48 |
| Consulting fees | 29 421 | 28 624 | 28 069 | 25 957 |
| Net transfers to provisions (Note 21) | 73 490 | 95 614 | 64 731 | 90 787 |
| Provision for leave pay and bonus | 2 391 | (299) | 5 481 | 282 |
| Provision for post-retirement medical costs | 71 026 | 96 530 | 59 250 | 90 505 |
| Provision for retrenchment costs | 0 | (590) | 0 | 0 |
| Provision for consultancy fees | 73 | (27) | 0 | 0 |
| Retirement benefit costs | 88 803 | 93 282 | 80 157 | 86 483 |
| Normal contributions to funds | 64 871 | 58 339 | 56 225 | 51 582 |
| Additional contributions to funds in respect of early retirements | 926 | 14 353 | 926 | 14 353 |
| Medical-aid premiums paid | 23 006 | 20 590 | 23 006 | 20 548 |
| Remuneration and recurring staff costs | 741 687 | 691 847 | 614 493 | 573 414 |
| Cost of new currency | 77 629 | 89 241 | 627 483 | 591 201 |
| Other operating costs | 693 111 | 652 395 | 278 523 | 258 792 |

| | Group | | Bank | |
|---|---------------|---------------|---------------|---------------|
| | 2006 R'000 | 2005 R'000 | 2006 R'000 | 2005 R'000 |
| 25. Taxation | | | | |
| South African normal taxation | | | | |
| Current taxation | 340 782 | 334 718 | 305 555 | 275 252 |
| Adjustment in respect of prior year | 996 | 434 | 1 514 | 434 |
| Deferred taxation | (705) | (28 865) | (3 329) | (1 231) |
| Current year timing differences | 1 094 | (18 868) | (1 868) | 20 |
| Adjustment in respect of prior year | (1 799) | (9 997) | (1 461) | (1 251) |
| | 341 073 | 306 287 | 303 740 | 274 455 |
| <i>Reconciliation of taxation rate</i> | | | | |
| South African normal taxation rate | 29,00% | 30,00% | 29,00% | 30,00% |
| Adjusted for: | | | | |
| Disallowable expenses | 0,32% | 0,27% | 0,34% | 0,13% |
| Exempt income and special deductions | (0,35%) | (0,74%) | (0,08%) | (0,02%) |
| Adjustment in respect of prior years | (0,07%) | (0,08%) | 0,01% | (0,10%) |
| Taxation rate change | 0% | 1,42% | 0% | 1,69% |
| Effective taxation rate | 28,90% | 30,87% | 29,27% | 31,70% |
| 26. Dividends per share (cents) | 10 | 10 | 10 | 10 |
| Dividends were paid as follows: | R'000 | R'000 | R'000 | R'000 |
| Final dividend of 5 cents per share for the 2005 financial year | 100 | 100 | 100 | 100 |
| Interim dividend of 5 cents per share for the 2006 financial year | 100 | 100 | 100 | 100 |
| | 200 | 200 | 200 | 200 |

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

| | Group | | Bank | |
|---|---------------|---------------|---------------|---------------|
| | 2006 R'000 | 2005 R'000 | 2006 R'000 | 2005 R'000 |
| 27. Cash generated from/ (utilised by) operating activities | | | | |
| <i>Reconciliation of profit before taxation to cash generated from/ (utilised by) operating activities:</i> | | | | |
| Profit before taxation | 1 180 120 | 992 334 | 1 037 739 | 865 660 |
| <i>Adjustments for:</i> | | | | |
| Depreciation | 117 336 | 110 379 | 74 113 | 69 549 |
| Net loss on disposal of PPE | 30 | 5 607 | 391 | 4 112 |
| Utilisation of insurance spares | 0 | 5 | 0 | 0 |
| Unrealised foreign exchange loss | 0 | 61 | 0 | 0 |
| Notional interest on interest-free loan | (41 746) | (44 599) | (41 746) | (44 599) |
| Fair value adjustments to financial instruments | (1 300) | (9 778) | 0 | 0 |
| Movement in provisions | 73 490 | 95 614 | 64 731 | 90 787 |
| Gain on South African Government bonds | (29 588) | (812 709) | (29 588) | (812 709) |
| Net cash generated from operating activities | 1 298 342 | 336 914 | 1 105 640 | 172 800 |
| <i>Changes in working capital:</i> | | | | |
| Decrease/(increase) in accommodation to banks | 242 690 | (723 046) | 242 690 | (723 046) |
| Increase in loans and advances | (12 119) | (60 435) | (12 119) | (60 435) |
| Increase in amounts due by subsidiaries | 0 | 0 | (18 337) | (70 186) |
| Increase in gold and foreign exchange (Increase)/decrease in inventories | (43 455 382) | (35 235 811) | (43 455 382) | (35 235 811) |
| Decrease in amounts due by the South African Government | 61 643 | 1 309 347 | 61 643 | 1 309 347 |
| Decrease in Gold and Foreign Exchange Contingency Reserve Account | 7 042 960 | 10 119 541 | 7 042 960 | 10 119 541 |
| (Increase)/decrease in equity investment in Bank for International Settlements | (64 144) | 964 | (64 144) | 964 |
| Decrease in other assets | 521 912 | 148 170 | 481 208 | 220 873 |
| Increase in deposit accounts | 39 499 320 | 9 973 304 | 35 363 577 | 5 433 069 |
| Increase in amounts due to subsidiaries | 0 | 0 | 4 560 550 | 5 968 648 |
| (Decrease)/increase in South African Reserve Bank debentures | (6 667 639) | 6 723 114 | (6 667 639) | 6 723 114 |
| Decrease in foreign loans | (66 585) | (1 942 814) | (66 585) | (1 942 814) |
| Increase in notes and coin in circulation | 3 383 219 | 6 323 789 | 3 383 219 | 6 323 789 |
| (Decrease)/increase in other financial liabilities | (20 672) | 57 411 | 12 560 | 4 394 |
| Cash generated from/(utilised by) changes in working capital | 449 798 | (3 369 544) | 862 922 | (1 928 326) |
| Cash generated from/(utilised by) operating activities | 1 748 140 | (3 032 630) | 1 968 562 | (1 755 526) |

28. Retirement benefit information

The group has made provision for pension and provident plans covering substantially all employees. All employees are members of either a defined benefit or a defined contribution plan administered by the group or are members of funds within the various industries in which they are employed. The assets of these plans are held in administered trust funds separate from the group's assets and the funds are governed by the Pension Funds Act, No 24 of 1956.

Contributions to the defined benefit fund are charged against income based on actuarial advice. The benefits provided are based on the years of membership and salary levels. These benefits are provided from contributions by employees and the employer, as well as income from the assets of the plan. Current contribution levels are considered to be adequate to meet future obligations. The actuarial risk in respect of current pension commitments has been transferred to a life insurer. The fund has been closed to new members since 1 July 1995 and has five contributing members and 485 pensioners.

The last actuarial valuation of the defined benefit plan was performed on 31 March 2005, at which date the fund was determined to be fully funded. The following key assumptions were applied:

| | 2006 | 2005 |
|-------------------------------|-------|-------|
| Discount rate | 7,53% | 8,62% |
| Salary inflation | 5,61% | 6,43% |
| Post-retirement interest rate | 3,50% | 3,84% |

29. Post-retirement benefits

The Bank and a subsidiary provide post-retirement benefits to retired staff in the form of subsidised medical-aid premiums. A provision for the liability has been created. The provision covers the total liability, i.e. the accumulated post-retirement medical benefits liability at fair value as at 31 March 2006.

| | Group | | Bank | |
|---|---------------|---------------|---------------|---------------|
| | 2006 R'000 | 2005 R'000 | 2006 R'000 | 2005 R'000 |
| Financial year end at 31 March 2005 | | | | |
| Net liability at 31 March 2005 | 563 100 | 466 570 | 519 024 | 428 519 |
| Annual cost | | | | |
| Interest cost | 44 418 | 44 579 | 40 621 | 41 016 |
| Service cost | 15 603 | 10 706 | 16 813 | 12 775 |
| Subsidy increases above expectations | 0 | 0 | 0 | 0 |
| Actuarial losses | 31 820 | 58 858 | 24 327 | 55 820 |
| Net cost | 91 841 | 114 143 | 81 761 | 109 611 |
| Total benefit payments | (20 815) | (17 613) | (22 511) | (19 106) |
| Net liability on balance sheet (Note 21) | 634 126 | 563 100 | 578 274 | 519 024 |
| Key assumptions: | 2006 | 2005 | | |
| Discount rate | 7,75% | 8,0% | | |
| Medical inflation | 5,75% | 6,0% | | |
| Valuation date | 31 March 2006 | 31 March 2005 | | |

30. 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.

31. Capital commitments

| | | | | |
|----------------|---------|---------|---------|---------|
| Contracted | 63 743 | 60 110 | 48 470 | 30 390 |
| Not contracted | 95 900 | 127 509 | 67 223 | 102 657 |
| Total | 159 643 | 187 619 | 115 693 | 133 047 |

These capital commitments are in respect of property, plant and equipment and will be funded from internal resources.

32. Risk management in respect of financial instruments

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

Interest rate risk

With the exception of South African Government bonds and amounts due by the South African Government, the rand-denominated financial assets and liabilities of the Bank, respectively, earn and bear interest at rates linked to South African money-market rates. The level of these rates is managed by the Bank through its monetary policy operations. The repricing of these assets and liabilities therefore occurs at approximately the same time. Accordingly, the Bank is not subject to significant interest rate risk in respect of these instruments. Foreign investments are also predominantly invested in short-term money-market instruments. The remainder is mostly invested in liquid medium-term securities which can be disinvested in the short term.

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 reviewed routinely by management on a daily basis and, when circumstances require, throughout the day. The Bank's exposures to market price risk is largely limited by the fact that gold and foreign exchange price risks are for the account of the Government in terms of the SA Reserve Bank Act, No 90 of 1989.

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 Governor's Executive Committee, in terms of which counterparty limits and security arrangements are set. These policies require that no uncollateralised loans may be made and that investment funds may only be placed with institutions accredited with ratings of at least A from Standard & Poor. Exposures are monitored daily against reports generated by the middle office function of the Financial Markets Department.

Concentration analysis 2006

| | Group | | Bank | |
|----------------------|---------------|---------------|---------------|---------------|
| | 2006 R'000 | 2005 R'000 | 2006 R'000 | 2005 R'000 |
| <i>Assets</i> | | | | |
| South African rand | 29 984 461 | 34 789 822 | 25 849 662 | 30 308 321 |
| Gold | 14 487 187 | 10 637 081 | 14 487 187 | 10 637 081 |
| United States dollar | 92 211 629 | 71 573 637 | 92 211 629 | 71 573 637 |
| Euro | 29 905 081 | 11 103 981 | 29 905 081 | 11 103 981 |
| Pound sterling | 3 523 869 | 3 253 054 | 3 523 869 | 3 253 054 |
| Other | 2 224 207 | 2 095 549 | 2 224 207 | 2 095 549 |
| | 172 336 434 | 133 453 124 | 168 201 635 | 128 971 623 |
| <i>Liabilities</i> | | | | |
| South African rand | 150 596 775 | 111 646 880 | 146 461 976 | 107 165 379 |
| United States dollar | 14 744 611 | 13 744 551 | 14 744 406 | 13 744 551 |
| Euro | 6 671 119 | 7 885 541 | 6 671 849 | 7 885 541 |
| Pound sterling | 323 929 | 176 152 | 323 404 | 176 152 |
| | 172 336 434 | 133 453 124 | 168 201 635 | 128 971 623 |

Liquidity risk

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

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

The table on the following page analyses the foreign assets and liabilities of the Bank into relevant maturity groupings based on the remaining period at balance sheet date to contractual maturity date. No liquidity information is given for financial assets and liabilities denominated in rand because the Bank faces no liquidity risk as explained above.

As at 31 March 2006

| Assets (R'000) | Up to 1 month | 1 to 3 months | 4 to 6 months | 6 to 12 months | More than 1 year | Total |
|---------------------------------|------------------|------------------|------------------|-------------------|---------------------|-------------|
| Gold | 14 504 469 | 0 | 0 | 0 | 0 | 14 504 469 |
| Foreign exchange investments | 75 548 240 | 38 159 785 | 1 728 681 | 2 605 258 | 7 621 115 | 125 663 079 |
| Special drawing rights – IMF | 1 951 137 | 0 | 0 | 0 | 0 | 1 951 137 |
| Equity investment – BIS | 0 | 0 | 0 | 0 | 233 289 | 233 289 |
| | 92 003 846 | 38 159 785 | 1 728 681 | 2 605 258 | 7 854 404 | 142 351 974 |
| Liabilities (R'000) | | | | | | |
| Foreign loans | 9 468 992 | 12 270 667 | 0 | 0 | 0 | 21 739 659 |
| Net foreign assets | 82 534 854 | 25 889 118 | 1 728 681 | 2 605 258 | 7 854 404 | 120 612 315 |

As at 31 March 2005

| Assets (R'000) | Up to 1 month | 1 to 3 months | 4 to 6 months | 6 to 12 months | More than 1 year | Total |
|---------------------------------|------------------|------------------|------------------|-------------------|---------------------|------------|
| Gold | 10 637 081 | 0 | 0 | 0 | 0 | 10 637 081 |
| Foreign exchange investments | 46 021 071 | 30 706 256 | 822 111 | 1 406 215 | 6 966 544 | 85 922 197 |
| Special drawing rights – IMF | 0 | 0 | 0 | 2 104 024 | 0 | 2 104 024 |
| Equity investment – BIS | 0 | 0 | 0 | 0 | 169 145 | 169 145 |
| | 56 658 152 | 30 706 256 | 822 111 | 3 510 239 | 7 135 689 | 98 832 447 |
| Liabilities (R'000) | | | | | | |
| Foreign loans | 8 562 534 | 6 986 575 | 6 257 135 | 0 | 0 | 21 806 244 |
| Net foreign assets | 48 095 618 | 23 719 681 | (5 435 024) | 3 510 239 | 7 135 689 | 77 026 203 |

33. Related party information

Transactions between the Bank and its subsidiaries, which are related parties to the Bank, have been eliminated on consolidation. A number of transactions took place between these entities and are disclosed elsewhere in this report, in the relevant notes to the financial statements.

The Bank could be regarded as related to state corporations such as Eskom. However, the only transactions that the Bank has with such related entities are on purely commercial terms such as payments to Eskom for electricity.

The Bank provides banking services to the National Treasury at no cost. This is in line with the central banking practice in many countries across the globe. Certain terms and conditions of transactions with the Government for the purpose of assisting the Bank to better perform its core business, have not been disclosed.

The executive directors of the Bank are regarded to be the only key management personnel as they are involved in all key management decisions. Remuneration of key personnel appears in Note 35.

34. Segment reporting

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

35. Directors' remuneration

The directors' remuneration for the year ended 31 March 2006, which has all been paid by the Bank, is as follows:

| | Short-term employee benefits R'000 | Post- employment benefits R'000 | 2006 Total R'000 | 2005 Total R'000 |
|--|---|--|------------------------|------------------------|
| Executive directors – remuneration for other services | | | | |
| T T Mboweni | 2 554 | 276 | 2 830 | 2 707 |
| G Marcus | 0 | 0 | 0 | 768 |
| X P Guma | 1 535 | 161 | 1 696 | 1 520 |
| I Plenderleith | 1 949 | 170 | 2 119 | 1 901 |
| R D Mokate | 934 | 110 | 1 044 | 0 |
| | 6 972 | 717 | 7 689 | 6 896 |
| No other benefits accrued to the executive directors. | | | | |
| Non-executive directors – for services as directors | | | | |
| D Konar | | | 145 | 135 |
| M Padayachee | | | 135 | 127 |
| N D Orleyn | | | 90 | 90 |
| J W Raath | | | 97 | 92 |
| F Jakoet | | | 92 | 88 |
| A M Mokgabudi | | | 105 | 104 |
| Z P Manase | | | 92 | 80 |
| S M Goodson | | | 79 | 64 |
| R W K Parsons | | | 99 | 59 |
| F E Groepe | | | 97 | 59 |
| | | | 1 031 | 898 |
| <i>Paid by subsidiaries</i> | | | | |
| Non-executive directors – for services as director | | | | |
| F Jakoet | | | 183 | 119 |

36. Comparative figures

The format of the balance sheet has been amended to present assets and liabilities in order of liquidity rather than current/non-current format as previously presented.

The following table summarises the changes in comparative figures:

Balance sheet

| Notes | Group | | | Bank | | | |
|---|-------------------------|--------------------|----------------|-------------------------|--------------------|----------------|-------------|
| | Previously stated R'000 | Restatements R'000 | Restated R'000 | Previously stated R'000 | Restatements R'000 | Restated R'000 | |
| Equity and liabilities | | | | | | | |
| Accumulated profit – opening balance | | | | | | | |
| 31/3/2004 | 1 | 161 729 | (208 127) | 369 856 | 0 | (74 066) | 74 066 |
| Profit for the year | 1 | 687 903 | 1 856 | 686 047 | 581 375 | (9 830) | 591 205 |
| Transfers to reserves | 2 | (626 180) | 23 308 | (649 488) | (575 617) | 0 | (575 617) |
| Transfers to Government | | (10 967) | 0 | (10 967) | (5 558) | 0 | (5 558) |
| Dividend | 1 | (200) | 0 | (200) | (200) | 0 | (200) |
| Accumulated profit – closing balance | | | | | | | |
| 31/3/2005 | | 212 285 | (182 963) | 395 248 | 0 | (83 896) | 83 896 |
| Plant replacement reserve | 2 | 369 828 | (23 308) | 393 136 | 0 | 0 | 0 |
| Deferred taxation liabilities | 3 | 3 942 | (98 574) | 102 516 | 0 | (35 517) | 35 517 |
| Assets | | | | | | | |
| Current taxation prepaid | 4 | 88 813 | 414 | 89 227 | 85 370 | 0 | 85 370 |
| Gold and foreign exchange | 5 | 98 832 447 | (169 145) | 98 663 302 | 98 832 447 | (169 145) | 98 663 302 |
| Inventories | 6 | 196 393 | 6 144 | 202 537 | 0 | 6 144 | 6 144 |
| Investments | 7 | 4 174 814 | 36 649 | 4 211 463 | 0 | 0 | 0 |
| Amounts due by the South African Government | 8 | 5 845 224 | (4 746 586) | 1 098 638 | 5 845 224 | (4746 586) | 1 098 638 |
| Gold and Foreign Exchange Contingency Reserve Account | 8 | 0 | 4 746 586 | 4 746 586 | 0 | 4 746 586 | 4 746 586 |
| Property, plant and equipment | 1 | 785 153 | 288 458 | 1 073 611 | 503 874 | 118 163 | 622 037 |
| Equity investment in Bank for International Settlements | 5 | 0 | 169 145 | 169 145 | 0 | 169 145 | 169 145 |
| Deferred taxation assets | 3 | 206 044 | 12 288 | 218 332 | 206 044 | 1 250 | 207 294 |
| Other assets | 4, 6, 7 | 869 187 | (39 108) | 830 079 | 813 967 | (6 144) | 807 823 |
| Income statement | | | | | | | |
| Operating costs | 9 | 1 556 549 | 13 205 | 1 569 745 | 1 561 992 | (12 355) | 1 549 637 |
| Cash flow statement 10 | | | | | | | |
| Net cash generated from/ (utilised by) operations | | (9 594 051) | (6 287 140) | (3 306 911) | (14 149 227) | (12 222 251) | (1 926 976) |
| Net cash flow from financing activities | | 6 323 789 | 6 323 789 | 0 | 6 323 789 | 6 323 789 | 0 |
| Cash flow generated from investing activities | | 3 282 746 | (36 649) | 3 319 395 | 7 825 438 | 5 898 462 | 1 926 976 |

Notes:

1. Property, plant and equipment

Property, plant and equipment have been restated following a review of the expected useful lives of the individual asset categories as well as to measure certain items of PPE at their deemed cost at the SA Mint Company. The adjustments to the comparative figures regarding opening balances of property, plant and equipment and the related deferred taxation balance are shown in the statements of changes in equity and Notes 12 and 14, respectively.

2. Plant replacement reserve

Net adjustment to PPE by SA Bank Note Company was transferred to the plant replacement reserve.

3. **Deferred taxation liabilities and assets**
The deferred taxation balances have been restated due to adjustments to property, plant and equipment balances. Deferred taxation liabilities and assets are also disclosed in aggregate for the group and are not netted off per entity as previously reported.
4. **Current taxation prepaid**
Amount was reclassified from other assets to current taxation prepaid.
5. **Equity investment in Bank for International Settlements**
The investment was previously classified under "Gold and foreign exchange". The balance is separately disclosed on the face of the balance sheet in the current period.
6. **Inventories**
Amount was reclassified from other assets to inventories.
7. **Investments**
Amount was reclassified from other assets to investments.
8. **Gold and foreign exchange contingency reserves**
Amount was reclassified from amounts due by the South African Government to the Gold and Foreign Exchange Contingency Reserve Account.
9. **Operating costs**
The depreciation rates were adjusted following a re-assessment of the useful lives of certain items of property, plant and equipment.
10. **Cash flow statement**
Cash flow items were restated as a result of the restatement of the comparative figures.

Notice of ordinary general meeting 2006

Notice is hereby given that the eighty-sixth ordinary general meeting of shareholders will be held at the Head Office of the South African Reserve Bank, 370 Church Street, Pretoria on Wednesday, 23 August 2006 at 10:30.

Agenda

1. To approve minutes of the ordinary general meeting of shareholders held on 24 August 2005 (distributed previously).
2. To receive the annual financial statements and reports of the Board of Directors and the auditors for the year ended 31 March 2006 (*Annual Report 2006*).
3. To elect a shareholders' representative, representing commerce or finance, to the Board of Directors (details appear on pages 2 to 3, 23, and 33 to 34 of the *Annual Report 2006*).
4. To confirm the appointment of a shareholders' representative, representing industry, in terms of section 6(1)(b) of the South African Reserve Bank Act, No 90 of 1989 (the Act) (details appear on pages 2 to 3, 23, and 33 to 34 of the *Annual Report 2006*).
5. To determine the remuneration of the auditors for the past audit.
6. To appoint auditors for the 2006/07 financial year. (See page 35 of the directors' report).
7. To transact any other business to be transacted at an ordinary general meeting.

In terms of section 23(1) of the Act, 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 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



T Mongwe
Secretary

Pretoria
21 July 2006

Shareholders' calendar

Dividends

| | Declared | Paid |
|---------|----------------|-----------------|
| Interim | 3 October 2005 | 28 October 2005 |
| Final | 3 April 2006 | 5 May 2006 |

Date and time of the ordinary general meeting in Pretoria: 23 August 2006 at 10:30.



South African Reserve Bank

(Incorporated in the Republic of South Africa in terms of The South African Reserve Bank Act, 1989 (Act No 90 of 1989) ("the Bank")

Form of proxy (Revised)

For use by the Bank's shareholders registered as such at 16:00 on Thursday, 23 February 2006 ("the shareholders") at an ordinary general meeting ("the meeting") convened in terms of Regulation 16 of the Regulations framed under section 36 of the South African Reserve Bank Act, 1989 (Act No 90 of 1989), to be held at 10:30 on Wednesday, 23 August 2006 at the Head Office of the Bank, 370 Church Street, Pretoria, 0002, South Africa.

I/We, the undersigned _____ of _____

being the holder/s of _____ of the Bank's shares, and entitled to _____ vote/s (see Note 14*), hereby appoint (see Note 1*)

1 _____ of _____ or failing him/her

2 _____ of _____ or failing him/her

3 the chairperson of the meeting

as my/our proxy to attend, speak and vote on my/our behalf at the ordinary general meeting of the Bank's shareholders to be held on 23 August 2006 and at every adjournment thereof and to vote or abstain from voting in respect of the shares registered in my/our name/s, in accordance with the following instructions (see Note 2*):

| Please insert an "x" in the appropriate spaces provided | In favour of | Against | Abstain |
|---|--------------|---------|---------|
| 1 Approval of financial statements | | | |
| 2 Election of directors | | | |
| 2.1 S M Goodson Representing: Commerce or Finance (see enclosed Curriculum Vitae) | | | |
| 2.2 N H Lang Representing: Commerce or Finance (see enclosed Curriculum Vitae) | | | |
| 3 Confirm the appointment of T N Mgoduso as a shareholders' representative representing: Industry (see enclosed Curriculum Vitae) | | | |
| 4 Remuneration of auditors | | | |
| 5 Appointment of auditors | | | |

Unless otherwise instructed, my/our proxy may vote as he/she deems fit.

Signed at _____ on _____ 2006

Signature _____

Capacity of signatory (where applicable)

Note: Authority of signatory to be attached (see Note 8*)

Assisted by me (where applicable)

Full name _____

Capacity _____

Signature _____

Witness _____

* Please refer to the notes on the reverse side of this proxy form.

Notes

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting option 3: "the chairperson of the meeting" but any such deletion must be initialled by the shareholder. The person whose name appears first on the form of proxy and who is present at the meeting, will be entitled to act as proxy to the exclusion of those whose names follow.
2. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the shareholder and by inserting an "x" in the appropriate box next to each resolution. Failure to comply with the above will be deemed to authorise and direct the chairperson of the meeting, if he/she is the authorised proxy, or any other proxy, to vote or abstain from voting at the meeting as he/she deems fit, in respect of all the shareholder's votes exercisable thereat.
3. Forms of proxy must be lodged with the Transfer Secretary, South African Reserve Bank, 370 Church Street, Pretoria, 0002 or posted to the Transfer Secretary at PO Box 427, Pretoria, 0001, to be received by not later than 10:30 on Tuesday, 22 August 2006.
4. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
5. The chairperson of the meeting may reject or accept any form of proxy which is completed and/or received other than in accordance with these notes, provided that he/she is satisfied as to the manner in which the shareholder concerned wishes to vote.
6. Each shareholder is entitled to appoint one or more proxies (none of whom need be a shareholder of the Bank) to attend, speak and vote in place of that shareholder at the meeting.
7. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
8. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (e.g. for a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to this form of proxy unless previously recorded by the Bank or its Transfer Secretary or waived by the chairperson of the meeting.
9. Where this form of proxy is signed under power of attorney, such power of attorney must accompany this form of proxy, unless it has previously been registered with the Bank.
10. Where shares are held jointly, all joint holders are required to sign.
11. A minor must be assisted by his/her parent or guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Transfer Secretary of the Bank.
12. A shareholder who is not ordinarily resident in the Republic shall not be entitled to vote at the meeting.
13. No shareholder shall either directly or indirectly exercise any vote as a shareholder in respect of the number of shares in the Bank held by him or her in excess of 10 000, and no group of companies with interlocking directorates shall either directly or indirectly exercise any vote as shareholders in respect of the total number of shares in the Bank held by those companies in excess of 10 000.
14. A shareholder shall, at a meeting of shareholders where voting is conducted by means of a poll, be entitled to one vote in respect of every 200 shares of which he/she has been the registered holder for not less than six months prior to the date of the meeting, subject to a maximum of 50 votes per such shareholder.