Corporation for Public Deposits

Annual Financial Statements for the year ended 31 March 2012

South African Reserve Bank

Contents

Approval and statement of responsibility

The directors are responsible for the maintenance of adequate accounting records, and the preparation and integrity of the annual financial statements and related information. The external auditors are responsible for the independent auditing of, and reporting on, the fair presentation of the annual financial statements in conformity with International Financial Reporting Standards (IFRSs). The annual financial statements have been prepared in accordance with IFRSs and in the manner required by the Corporation for Public Deposits Act, 1984 (Act No. 46 of 1984).

The directors are also responsible for the Corporation for Public Deposits' (CPD) systems of internal financial control. These systems are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements; to safeguard, verify and maintain accountability of assets and liabilities adequately; and to prevent and detect misstatement and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The annual financial statements have been prepared on a going-concern basis, since the directors have every reason to believe that the CPD has adequate resources in place to continue to operate in the foreseeable future.

The annual financial statements have been audited by an independent auditing firm, SizweNtsalubaGobodo Inc., which was given unrestricted access to all financial records and related data, including minutes of all meetings of the Board of Directors (the Board), and of the shareholder, that is, the South African Reserve Bank. The directors believe that all representations made to the independent auditors during the audit were valid and appropriate.

The annual financial statements were approved by the Board and are signed on its behalf by:

A D Mminele
Chairperson

J H Krynauw
Alternate Director

Pretoria
7 May 2012

Independent auditor's report to the shareholder of the Corporation for Public Deposits

We have audited the accompanying annual financial statements of the Corporation for Public Deposits, which comprises the statement of financial position at 31 March 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies, other explanatory information, and the directors' report, as set out on pages 4 to 19.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Corporation for Public Deposits Act, 1984 (Act No. 46 of 1984), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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 comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation for Public Deposits as at 31 March 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Corporation for Public Deposits Act, 1984 (Act No. 46 of 1984).

Other matter

The financial statements of the Corporation for Public Deposits for the year ended 31 March 2011 were audited by another auditor whose report dated 6 May 2011 expressed an unqualified opinion on those statements.

SizweNtsalubaGobodo Inc.

SizweNtsalubaGobodo Inc.
Director: Pravesh Hiralall
Registered Auditor
Chartered Accountant (SA)
Pretoria

7 May 2012

Directors' report

for the year ended 31 March 2012

The directors present the Corporation for Public Deposits' (CPD) 28th Annual Financial Statements for the year ended 31 March 2012.

Nature of the Corporation for Public Deposits

The CPD is a juristic person established by the Corporation for Public Deposits Act, 1984 (Act No. 46 of 1984) (the CPD Act). It is a wholly owned subsidiary of the South African Reserve Bank (the Bank).

Nature of the business

The CPD accepts deposits from the public sector and invests these funds in short-term money-market instruments and Treasury bills, and with the Bank. It may also accept call deposits from other depositors with the approval of the Minister of Finance (the Minister). All funds invested with the CPD are repayable on demand.

Board of Directors

The activities of the CPD are managed and controlled by the Board. The Board assumes ultimate responsibility for the CPD. In accordance with the CPD Act, the Board comprises four persons appointed by the Minister. Two are persons holding office of Governor or Deputy Governor at the Bank, or who are officers of the Bank, and two are officers of National Treasury.

The term of office of directors who are officers of the Bank is three years, and these directors are eligible for reappointment. The term of office of directors who are officers of National Treasury is decided by the Minister.

The Chairperson of the Board is appointed by the Minister.

The CPD Act allows directors to nominate, with the consent of the Board, alternate directors to act in their place during their absence or inability to act as directors.

The following served as directors of the CPD during the financial year:

- Aaron Daniel Mminele: South African Reserve Bank Deputy Governor and Chairperson of the CPD Board; reappointed on 24 March 2010.
- Zanele Mavuso-Mbatha: South African Reserve Bank; appointed on 3 May 2011; resigned on 30 November 2011.
- Lungisa Fuzile: National Treasury; appointed on 30 September 2008.
- Bulelwa Boqwana: National Treasury; appointed on 19 August 2009; resigned on 21 November 2011.

Alternate directors during the financial year were as follows:

- Naidene Ford-Hoon (alternate to A D Mminele): appointed on 27 August 2010.
- Tom Khosa (alternate to Z Mavuso-Mbatha): appointed on 27 August 2010.
- Johannes David Redelinghuys (alternate to L Fuzile): appointed on 23 March 2004.
- Johan Hendrik Krynauw (alternate to B Boqwana): appointed on 23 March 2004.

Owing to the scope and risk profile of the CPD, the Board has elected not to appoint any Board committees to support it in the discharge of its responsibilities.

The Board meets at least four times a year to consider matters of the CPD. During the year under review, the Board continued to provide oversight over the accounting and investment of funds; the performance of investments and interest rate structures; activities and accounts of depositors and issuers of securities; and adherence to approved investment guidelines.

Directors are not remunerated for services rendered to the CPD.

Attendance schedule for CPD Board meetings, 2011/12

	06/05/11	17/08/11	03/11/11	20/02/12
A D Mminele	✓	✓	✓	✓
Alternate: N Ford-Hoon	✓	✓	✓	✓
Z Mavuso-Mbatha	✓	✓	-	-
Alternate: T Khosa	✓	✓	✓	✓
L Fuzile	×	×	×	×
Alternate: J D Redelinghuys	✓	×	×	×
B Boqwana	✓	✓	×	-
Alternate: J H Krynauw	×	✓	✓	✓

× Absent with apology
✓ Present

Accountability

The financial statements of the CPD are required to be submitted to the Minister within six months after the end of the financial year, whereafter the Minister tables them in Parliament.

Internal controls

The Internal Audit Department of the Bank evaluates internal controls. The Risk Management and Compliance Department assesses the risk management processes of the CPD. The Audit Committee of the Bank is reponsible for evaluating and monitoring the internal controls of the CPD.

Administration and accounting

The CPD is accommodated at the Bank's Head Office and uses the Bank's staff, accounting systems and other infrastructure.

The administration and accounting of funds under the control of the CPD are performed by the Financial Services Department and the investment of funds by the Financial Markets Department, which are both departments of the Bank.

Reserve fund

The reserve fund is maintained at the discretion of the directors to protect the CPD's investments against market fluctuations. No adjustments were made to the reserve fund during the year under review.

Financial results and performance

The financial results and performance of the CPD are set out in the attached financial statements. The surplus remaining after the payment of a dividend amounted to R50,12 million (2011: R52,87 million), which will be paid to government in terms of the CPD Act.

Share capital

The authorised and issued share capital is set out in the attached financial statements.

Dividend

A dividend of 10 cents per ordinary share was declared and paid during the year.

Secretary

Mhitlhiemang Abigail Masibi-Malotle

Registered office

South African Reserve Bank
370 Helen Joseph (previously Church) Street
Pretoria, Republic of South Africa, 0002

Statement of financial position

as at 31 March 2012

	Notes	2012	2011
		R'000	R'000
Current assets			
Money-market investments	2	11 480 662	8 106 519
Short-term deposits	3	10 361 520	3 008 737
Total assets		21 842 182	11 115 256
Liabilities			
Deposit accounts	4	21 460 817	10 831 442
Other liabilities	5	229	92
Bank overdraft		250 016	149 852
Surplus due to government	6	50 120	52 870
Total liabilities		21 761 182	11 034 256
Capital and reserves			
Share capital	7	2 000	2 000
Contingency reserve	8	79 000	79 000
Total capital and reserves		81 000	81 000
Total liabilities, capital and reserves		21 842 182	11 115 256

Statement of comprehensive income

for the year ended 31 March 2012

Interest income	9	2 194 282	2 064 514
Interest expense	10	(2 142 977)	(2 004 131)
Net interest income		51 305	60 383
Loss on fair value adjustments		(61)	(6 461)
Total income	11.1	51 244	53 922
Operating costs	11.2	(924)	(852)
Profit for the year	11	50 320	53 070
Taxation	12	0	0
Total comprehensive income for the year		50 320	53 070

Statement of changes in equity

for the year ended 31 March 2012

	Share capital	Accumulated profit	Contingency reserve	Total
	R'000	R'000	R'000	R'000
Balance at 31 March 2010	2 000	0	79 000	81 000
Total comprehensive income for the year	0	53 070	0	53 070
Transfer to government	0	(52 870)	0	(52 870)
Dividends paid	0	(200)	0	(200)
Balance at 31 March 2011	2 000	0	79 000	81 000
Total comprehensive income for the year	0	50 320	0	50 320
Transfer to government	0	(50 120)	0	(50 120)
Dividends paid	0	(200)	0	(200)
Balance at 31 March 2012	2 000	0	79 000	81 000

Explanatory notes

Contingency reserve

A contingency reserve is maintained to provide against risks to which the CPD is exposed.

Transfer to government

In terms of section 15 of the CPD Act, the surplus remaining after transfers to reserves and payment of dividends, has to be paid to government. For the year ended 31 March 2012 an amount of R50,12 million (2011: R52,87 million) was transferred to government.

Statement of cash flows

for the year ended 31 March 2012

	Notes	2012	2011
		R'000	R'000
Cash flows from operating activities			
Cash utilised by operating activities	13.1	(787)	(935)
Interest received		2 194 282	2 064 514
Interest paid		(2 142 977)	(2 004 131)
Dividends paid		(200)	(200)
Transfer to government		(52 870)	(37 463)
Net cash flows (utilised by)/generated from operating activities		(2 552)	21 785
Cash flows (utilised by)/generated from investing activities		(10 726 987)	5 055 117
Increase in money-market investments	13.2	(3 374 204)	(5 327 868)
(Increase)/Decrease in short-term deposits		(7 352 783)	10 382 985
Cash flows from financing activities			
Increase/(Decrease) in deposit accounts		10 629 375	(5 063 027)
Net (decrease)/increase in cash and cash equivalents		(100 164)	13 875
Cash and cash equivalents/(Bank overdraft) at beginning of the year		(149 852)	(163 727)
Cash and cash equivalents/(Bank overdraft) at end of the year		(250 016)	(149 852)

Notes to the financial statements

for the year ended 31 March 2012

1. Accounting policies

The principal accounting policies adopted in the preparation of these annual financial statements are set out below. The accounting policies have been consistently applied to all years presented, unless otherwise stated.

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRSs) requires the use of certain critical accounting estimates. This also requires that management exercises its judgement in the process of applying the accounting policies.

1.1 Basis of preparation

These annual financial statements have been prepared in accordance with IFRSs. The financial statements were prepared in accordance with the going-concern basis under the historical cost basis, except for certain investments carried at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The annual financial statements of the CPD are presented in South African rand, which is the functional currency of the CPD.

1.2 Changes in accounting policy and disclosure

New and amended standards adopted

There are no IFRSs or International Financial Reporting Interpretations Committee (IFRIC) interpretations that have been applied in the current year, which would have affected amounts reported in these financial statements.

New standards, amendments and interpretations issued, but not effective for the financial year beginning 1 April 2011, and not adopted early

The CPD is currently assessing the impact of the new standards and amendments listed below on the annual financial statements:

– The amendments to IFRS 7*, Financial Instruments: Disclosures*, increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposure when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

  It is not anticipated that these amendments to IFRS 7 will have a significant effect on the CPD's disclosures. However, if the CPD enters into any type of transfer of financial assets in the future, disclosures regarding such transfer may be affected.

– IFRS 9*, Financial Instruments*, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces those parts of International Accounting Standards (IAS) 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: (1) those measured as at fair value; and (2) those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash-flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main

change is that, in cases where the fair value option is taken for financial liabilities, that part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch. Changes in fair value attributable to the credit risk of a financial liability are not subsequently reclassified to profit or loss. Previously, under IAS 39, this was allowed.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted. The CPD has yet to assess the full impact of IFRS 9 on the annual financial statements.

– IFRS 13*, Fair Value Measurement*, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and United States Generally Accepted Accounting Principles (US GAAP), do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The standard is effective for annual periods beginning on or after 1 January 2013.

– The amendments to IAS 1*, Presentation of Financial Statements*, retain the option to present profit or loss and other comprehensive income, either in a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (1) items that will not be reclassified subsequently to profit or loss; and (2) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

  The amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012.

There are no other IFRSs or IFRIC interpretations that are not as yet effective that would be expected to have a material impact on the CPD.

1.3 Financial instruments

Classification

Financial instruments as reflected on the statement of financial position include all financial assets and financial liabilities, but exclude provisions. The classification of financial instrument categories depends on the purpose for which the financial instruments were acquired. Management determines the classification at initial recognition of the financial instrument and re-evaluates this classification at every reporting date. Financial instruments are classified as follows:

Financial assets

Financial assets at fair value through profit or loss

This category comprises two subcategories: (1) financial assets held-for-trading; and (2) those designated at fair value through profit or loss at inception.

A financial asset is classified as held-for-trading if it is acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking or if it is so designated by management. Derivatives are also classified as held-for-trading.

A financial asset is designated as fair value through profit or loss when either it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the asset or recognising the gains or losses on

it on different bases; or it forms part of a portfolio of financial assets managed and its performance is evaluated on a fair-value basis, in accordance with a documented risk management or investment strategy, and information about the portfolio is provided internally on that basis to key management personnel.

The following categories of financial assets have been classified as designated at fair value:

- Money-market investments
- Short-term deposits.

Financial liabilities

Financial liabilities at amortised cost

Financial liabilities consists of the following:

- Deposit accounts
- Other liabilities (accruals).

Financial liabilities are measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents consists of a bank overdraft.

Recognition

The CPD recognises financial assets designated at fair value on the date on which it becomes party to the contractual provisions to purchase the assets, and applies trade date accounting for 'regular-way' purchases and sales. From this date, any gains or losses arising from changes in fair value of the assets are recognised in profit or loss.

Other financial liabilities are recognised on the day on which they are transferred to the CPD or the day on which the funds are advanced.

Measurement

Initial measurement

Financial instruments are measured initially at fair value plus, in the case of financial instruments, not carried at fair value through profit or loss, transaction costs directly attributable to their acquisition. The best evidence of fair value on initial recognition is the transaction price, unless the fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on discounted cash-flow models and option-pricing valuation techniques whose variables include only data from observable markets.

Purchases and sales of financial assets that require delivery are recognised on trade date, being the date on which the CPD commits itself to purchasing or selling the asset. Financial assets are derecognised when the rights to receive cash flows from the assets have expired, or where the CPD has transferred substantially all risks and rewards of ownership.

Subsequent measurement

Financial assets are subsequently carried at fair value. Financial liabilities are subsequently carried at amortised cost. Fair values are determined according to the hierarchy based on the requirements in IFRS 7*, Financial Instruments: Disclosures* as set out in Note 15 to the financial statements.

Fair values are established as follows:

- Money-market investments: The fair values of money-market investments are quoted fair values as obtained in the market. The managers utilise quoted market prices for quoted financial instruments and market-acceptable valuation techniques for unquoted financial instruments in their valuation of fair value. Where these instruments are bank deposits, they are valued at nominal values plus accrued interest based on markets rates. These values approximate fair values. Non-interest-bearing Treasury bills are stated at nominal value, since they do not have fixed maturity dates.
- Non-trading liabilities: Non-trading liabilities are measured at amortised cost.

Impairment of financial assets

A review to determine possible impairment is carried out at each reporting date. A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. Any impairment loss is recognised in profit or loss. If in a subsequent period the amount relating to an impairment loss can be linked objectively to an event after the writedown, the writedown is reversed through profit or loss.

Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of trading instruments are recognised in profit or loss in the period in which they arise. Premiums or discounts on financial instruments carried at amortised cost are recognised in profit or loss over the expected life of the financial asset.

Hedge accounting

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Set-off

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position 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 Provisions

Provisions are liabilities of uncertain timing or amount, and are recognised when the CPD has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the directors' estimate of the expenditure required to settle that obligation at the end of each reporting period, and are discounted (at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability) to present value where the effect is material. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

1.5 Share capital

Ordinary shares are classified as equity and are recorded at the proceeds received net of incremental external costs directly attributable to the issue.

1.6 Revenue recognition

Interest income is recognised at the effective rates of interest inherent in finance contracts and is brought into income in proportion to the balance outstanding using the time-proportional method. Interest income includes amortisation of any discount or premium, or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest basis.

1.7 Contingencies and commitments

Transactions are classified as contingencies, where the CPD's obligations depend on uncertain future events that are not within its control. Items are classified as commitments where the CPD commits itself to future transactions with external parties.

2. Money-market investments

	2012 R'000	2011 R'000
Non-interest-bearing Treasury bills	47 359	47 356
Land Bank promissory notes	356 523	257 061
Negotiable certificates of deposit	3 752 615	5 328 760
Bridging bonds	0	300 775
Repurchase agreements	5 276 349	1 293 210
Treasury bills	357 986	0
Other interest-bearing instruments	0	100 404
Other discount instruments	1 689 830	778 953
	11 480 662	8 106 519
Maturity structure of money-market investments		
1 month and less	6 479 951	3 123 432
Between 1 and 3 months	1 932 084	2 518 152
Between 3 and 6 months	3 068 627	2 464 935
	11 480 662	8 106 519
For investments that meet the definition of financial assets designated at fair value:		
Maximum exposure to credit risk	11 480 662	8 106 519

Non-interest-bearing Treasury bills are funded by non-interest-bearing deposits in terms of an agreement with National Treasury.

The following table presents details of collateral received for repurchase agreements:

	2012 R'000	2011 R'000
Fair value of collateral received	5 302 009	1 384 000
Fair value of collateral permitted to sell or repledge at the reporting date	5 302 009	1 384 000
Collateral cover	100,49%	107,02%
Maturity date	5 April 2012	7 April 2011

At the reporting date, none of the collateralised advances were past due or impaired.

The counterparties are exposed to interest rate risk on the various securities pledged as collateral for repurchase agreements. The CPD has the ability to sell or repledge these securities in the event of default.

3. Short-term deposits

Call deposit with the South African Reserve Bank	8 237 000	2 950 000
Call deposits at commercial banks	2 076 000	5 000
Accrued income	48 520	53 737
	10 361 520	3 008 737

Maturity structure of short-term deposits

Receivable on demand	10 313 000	2 955 000
1 month and less	48 520	53 737
	10 361 520	3 008 737

Short-term deposits are made for varying periods, depending on the CPD's immediate cash requirements.

The call deposit with the Bank earns interest at a rate equal to the average of the prevailing yield on 91-day Treasury bills and the average rate paid on the most recent 28-day reverse repurchase transaction conducted by the Bank with market counterparts. The 91-day Treasury bill yield will be applicable if this rate falls below the Treasury bill yield. The call deposits at commercial banks earn interest at market-related rates.

4. Deposit accounts

Interest-bearing deposits	21 413 061	10 783 686
Non-interest-bearing deposit	47 756	47 756
	21 460 817	10 831 442

Maturity structure of deposit accounts

Deposit accounts are repayable on demand in terms of the CPD Act.

In terms of the current interest rate policies as approved by the Board of Directors, deposit accounts earn interest at a rate of 10 basis points less than the yield on 91-day Treasury bills. The prevailing rate at the reporting date was 5,55 per cent (2011: 5,45 per cent). Non-interest-bearing deposits fund the non-interest-bearing Treasury bills referred to in Note 2 on page 12.

5. Other liabilities

	2012 R'000	2011 R'000
Accruals	229	92
Maturity structure of other liabilities		
Between 1 and 3 months	229	92

6. Surplus due to government

Surplus to be transferred to government	50 120	52 870

In terms of section 15 of the CPD Act, the surplus remaining after provision has been made for dividends and transfers to reserves must be transferred to government.

7. Share capital

Authorised 2 000 000 (2011: 2 000 000) ordinary shares at R1 each	2 000	2 000
Issued 2 000 000 (2011: 2 000 000) ordinary shares at R1 each	2 000	2 000

8. Contingency reserve

The reserve is maintained at the discretion of the Board of Directors in accordance with section 15 of the CPD Act.

Balance at beginning of the year	79 000	79 000
Transfer from accumulated profit	0	0
Balance at end of the year	79 000	79 000

9. Interest income

Interest is recognised on a time-proportional method which takes into account the effective yield on the asset over the period it is expected to be held.

Interest on call deposits	434 800	865 070
Interest on financial instruments	1 702 564	1 134 451
Discount	56 918	64 993
	2 194 282	2 064 514

10. Interest expense

Interest on call deposits	2 135 239	1 995 813
Interest on overdraft	7 738	8 318
	2 142 977	2 004 131

Interest paid on call deposits is calculated at a rate of 10 basis points less than the yield on 91-day Treasury bills. The prevailing rate at the reporting date was 5,55 per cent (2011: 5,45 per cent).

Interest paid on the overdraft is calculated at a rate of 40 basis points less than the average rate on 91-day Treasury bills. The prevailing rate at the reporting date was 5,17 per cent (2011: 5,07 per cent).

11. Profit for the year

11.1 Total income is stated after

	2012 R'000	2011 R'000
Loss on fair value adjustments	(61)	(6 461)

A reclassification of the loss on fair value adjustments was deemed necessary to better reflect the nature of the transaction. The effect was to reclassify the loss on fair value adjustments from interest income to a separate line item on the statement of comprehensive income. There was no effect on the statement of financial position.

11.2 Operating costs include

Audit fees	261	186
Other operating costs	663	666

12. Taxation

No provision has been made for taxation, since the CPD is exempt from taxation in terms of section 13 of the CPD Act.

13. Notes to the statement of cash flows

13.1 Cash utilised by operating activities

Profit for the year	50 320	53 070
Adjustment for:		
Interest income	(2 194 282)	(2 064 514)
Interest expense	2 142 977	2 004 131
Loss on fair value adjustments	61	6 461
	(924)	(852)
Movement in working capital:		
Other liabilities	137	(83)
	(787)	(935)

13.2 Increase in money-market investments

Increase in money-market investments	(3 374 143)	(5 321 407)
Adjustment for non-cash item:		
Loss on fair value adjustments	(61)	(6 461)
	(3 374 204)	(5 327 868)

14. Events after the reporting date

No material events occurred between 31 March 2012 and 7 May 2012 requiring disclosure in, or adjustment to, the annual financial statements for the year ended 31 March 2012.

15. Risk management

Interest rate management

Deposit accounts

In terms of the current interest rate policies as approved by the Board, interest will be paid to all depositors at a rate of 10 basis points less than the yield on 91-day Treasury bills as determined at the most recent weekly Treasury bill auction.

Investments

Interest-bearing deposits are invested in call deposits and other money-market instruments at market-related yields. Interest at the prevailing yield less 10 basis points on 91-day Treasury bills is earned on special Treasury bills. An amount equal to the non-interest-bearing deposits is invested in non-interest-bearing Treasury bills. The CPD also invests funds in the market on a buy- or sell-back basis at market-related yields. With respect to call deposit transactions between the Bank and the CPD, the Bank will pay to the CPD a rate equal to the average of the prevailing yield on 91-day Treasury bills and the average rate paid on the most recent 28-day repurchase transactions conducted by the Bank with its market counterparts. The 91-day Treasury bill yield will be applicable if this rate falls below the Treasury bill yield.

The CPD's financial assets and liabilities earn and bear interest at rates linked to South African money-market rates. The repricing of these assets and liabilities, therefore, occurs at approximately the same time. Accordingly, the CPD is not subject to significant interest rate risk in respect of these instruments.

Credit risk management

Call deposits

The CPD invests in banks that have capital and reserves in excess of R1 billion, and limits its exposure to 10 per cent thereof. The exposure to call deposits at banks at 31 March 2012 was R2 076 million (2011: R5 million), excluding accrued income. The CPD also places call deposits with the Bank. The total exposure at 31 March 2012 was R8 237 million (2011: R2 950 million), excluding accrued income.

Other money-market instruments

The CPD may have significant investment exposure to other money-market instruments, such as promissory notes and negotiable certificates of deposit. Where applicable, the exposure to these instruments is subject to, and forms part of, the same 10 per cent limit as the call deposits referred to above.

In terms of the Investment Guidelines approved by the Board, all investments are placed with Investment Grade institutions and with the Bank. The Fitch Short-Term National Credit Ratings for institutions primarily utilised are all F1+, which is the highest rating available in the short term. The majority of investments are invested in the short term with maturities of less than three months. The profitability of the CPD is monitored regularly and the Board has the authority to adjust the interest rate payable to depositors in order to maintain the desired results.

Liquidity risk

In view of the short-term nature of the CPD's liabilities, its investment policy is to invest in assets with a maturity of less than three years and further to invest at least 60 per cent of all funds in assets with a maturity of less than three months. The maturity structure of investments at 31 March is shown in Note 2.

Deposits

The business of the CPD is to accept call deposits and invest the funds so obtained in short-term money-market instruments, Treasury bills and with the Bank.

The Financial Markets Department of the Bank is responsible for investing funds deposited with the CPD according to the Investment Guidelines approved by the Board. The Financial Markets Department endeavours to invest funds in an optimal manner, taking into account the expected cash flow of the CPD, the interest rate cycle, possible liquidity impact and market tendencies. To minimise risk, investments are only made with Investment Grade institutions and with the Bank. These institutions are reviewed regularly to ensure that Investment Guidelines are met.

Sensitivity analysis

The CPD's trading book is subject to interest rate risk. The table below shows the effect of the sensitivity of the portfolio of money-market investments and deposits in the statement of financial position to a reasonably possible 100 basis points increase or decrease in local interest rates on the CPD's profit or loss for the year.

	Increase in basis points	Sensitivity of net interest income Increase/ (Decrease)	Decrease in basis points	Sensitivity of net interest income Increase/ (Decrease)
2012				
Money-market investments	+100	(13 738)	-100	14 403
2011				
Money-market investments	+100	(10 684)	-100	14 540

Fair value hierachy disclosures

The following table is a comparison by category of carrying amounts and fair values of the CPD's financial instruments.

The table analyses financial instruments carried at fair value by the level of fair value hierarchy. The fair value hierarchy depends on the extent to which quoted prices are used in determining the fair value of the specific instruments. The different levels are defined as follows:

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

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

Level 3: Fair value is based on input for the asset or liability that is not based on observable market data.

	2012 R'000 Carrying amounts	2012 R'000 Fair value Level 1	2011 R'000 Carrying amounts	2011 R'000 Fair value Level 1
Financial assets				
Money-market investments	11 480 662	11 480 662	8 106 519	8 106 519
Short-term deposits	10 361 520	10 361 520	3 008 737	3 008 737
Financial liabilities				
Deposit accounts	21 460 817	21 460 817	10 831 442	10 831 442
Other liabilities	229	229	92	92
Bank overdraft	250 016	250 016	149 852	149 852

Market values have been used to determine the fair value.

16. Gains and losses per category of financial assets and financial liabilities

	Designated at fair value	Other liabilities	Total
	R'000	R'000	R'000
2012			
Interest income	2 194 282	0	2 194 282
Interest expense	0	(2 142 977)	(2 142 977)
Loss on fair value adjustments	(61)	0	(61)
2011			
Interest income	2 064 514	0	2 064 514
Interest expense	0	(2 004 131)	(2 004 131)
Loss on fair value adjustments	(6 461)	0	(6 461)

17. Classification of financial assets and liabilities

	Designated at fair value	Other liabilities	Total
	R'000	R'000	R'000
2012			
Financial assets			
Money-market investments	11 480 662	0	11 480 662
Short-term deposits	10 361 520	0	10 361 520
	21 842 182	0	21 842 182
Financial liabilities			
Deposit accounts	0	21 460 817	21 460 817
Other liabilities	0	229	229
Bank overdraft	0	250 016	250 016
	0	21 711 062	21 711 062
2011			
Financial assets			
Money-market investments	8 106 519	0	8 106 519
Short-term deposits	3 008 737	0	3 008 737
	11 115 256	0	11 115 256
Financial liabilities			
Deposit accounts	0	10 831 442	10 831 442
Other liabilities	0	92	92
Bank overdraft	0	149 852	149 852
	0	10 981 386	10 981 386

18. Related party disclosures

Name	Relationship
South African Reserve Bank	Holding company
South African Mint Company (Pty) Limited	Fellow subsidiary
South African Bank Note Company (Pty) Limited	Fellow subsidiary
South African Reserve Bank Captive Insurance Company Limited	Fellow subsidiary
South African Reserve Bank Pension Fund	Pension fund of holding company
South African Reserve Bank Retirement Fund	Retirement fund of holding company

The following table provides a summary of transactions that have been entered into with related parties for the relevant financial year:

2012	Expenditure paid to	Interest income	Interest expense	Amounts owed by	Amounts owed to
	R'000	R'000	R'000	R'000	R'000
South African Reserve Bank	662	423 621	7 738	8 279 960	250 016
South African Mint Company (Pty) Limited	0	0	6 298	0	134 870
South African Bank Note Company (Pty) Limited	0	0	9 440	0	267 735
South African Reserve Bank Captive Insurance Company Limited	0	0	332	0	5 487
South African Reserve Bank Pension Fund	0	0	17	0	229
South African Reserve Bank Retirement Fund	0	0	2 276	0	9 332

2011	Expenditure paid to	Interest income	Interest expense	Amounts owed by	Amounts owed to
	R'000	R'000	R'000	R'000	R'000
South African Reserve Bank	662	796 555	8 318	3 001 008	149 852
South African Mint Company (Pty) Limited	0	0	12 219	0	235 772
South African Bank Note Company (Pty) Limited	0	0	14 238	0	176 275
South African Reserve Bank Captive Insurance Company Limited	0	0	416	0	4 163
South African Reserve Bank Pension Fund	0	0	255	0	5 149
South African Reserve Bank Retirement Fund	0	0	3 934	0	111 256

Terms and conditions of transactions with related parties

Outstanding balances at the reporting date are unsecured and settlement is in cash. No guarantees have been provided or received for related party receivables or payables.