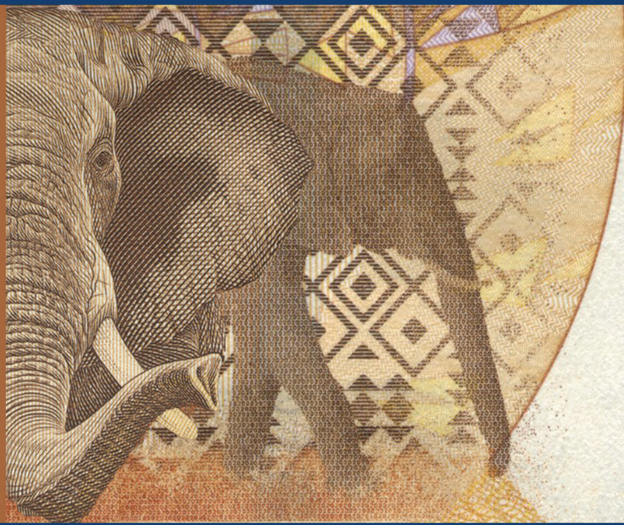
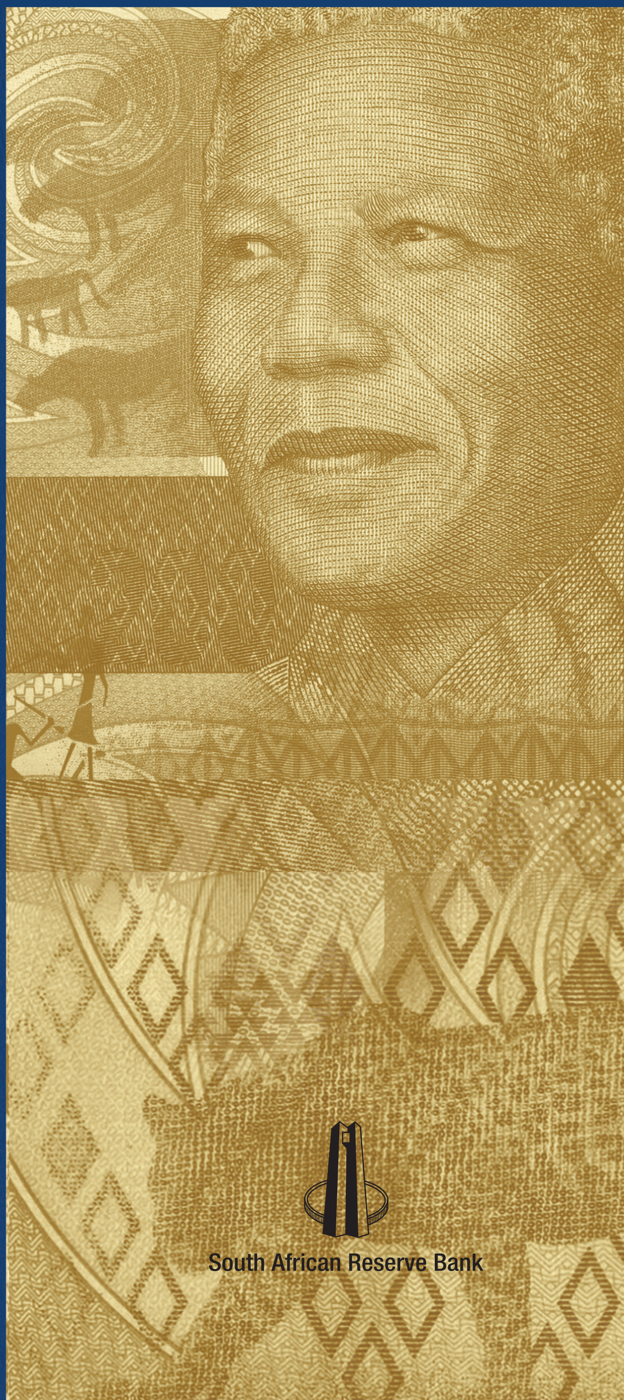
Corporation for Public Deposits



Annual Financial Statements for the year ended 31 March 2017



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Approval and statement of responsibility

The directors of the Corporation for Public Deposits (CPD) 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 are prepared in accordance with IFRSs and in the manner required by the Corporation for Public Deposits Act 46 of 1984 (CPD Act), on the going-concern basis. The directors have every reason to believe that the CPD has adequate resources in place to continue to operate for the foreseeable future. The annual financial statements are based on appropriate accounting policies, and supported by reasonable and prudent judgements and estimates. The directors are satisfied that the information contained in the financial statements fairly presents the results of operations for the period and the financial position of the CPD at the reporting date.

The directors are also responsible for ensuring that adequate systems of internal financial control exist for the CPD. 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; 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 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 (Board), and of the shareholder, that is, the South African Reserve Bank (SARB). 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

A M Maseko
Director

Pretoria
9 May 2017

Directors' report

for the year ended 31 March 2017

The directors present the CPD's 33rd annual financial statements for the year ended 31 March 2017.

Nature of business

The CPD, a wholly owned subsidiary of the SARB, is a juristic person established by the CPD Act.

The CPD accepts deposits from the public sector, and invests these funds in short-term money market instruments and Treasury bills, and with the SARB. The CPD may also accept call deposits from other depositors with the approval of the Minister of Finance (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 who hold the office of Governor or Deputy Governor at the SARB, or who are officers of the SARB, and two are officers of National Treasury.

The term of office for directors who hold the office of Governor, Deputy Governor, or who are officers of the SARB is three years, and these directors are eligible for reappointment. The term of office for directors who are officers of National Treasury is determined 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 on their behalf during their absence or inability to act as directors.

Directors of the CPD, 2016/17

Director	Position and Office	Date of appointment/ reappointment	Alternate director
A D Mminele	Deputy Governor of the SARB and Chairperson of the Board	24 March 2016	N Ford-Hoon
L R Myburgh	Officer of the SARB	1 March 2016	M Macholo
A M Maseko	Officer of National Treasury	4 April 2012	B Mokwala
M Ratsoma*	Officer of National Treasury	4 April 2012	J D Redelinghuys
J D Redelinghuys	Officer of National Treasury	1 May 2016	W H Moolman

* M Ratsoma was replaced by J D Redelinghuys, effective 1 May 2016.

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 investment of funds and the accounting function; the performance of investments and interest rate structures; activities and accounts of depositors and issuers of securities; and adherence to approved Investment Guidelines.

Attendance schedule of directors for CPD Board meetings, 2016/17

	19/5/2016	25/8/2016	25/11/2016	23/2/2017
A D Mminele	√	√	√	√
L R Myburgh	√	√	√	×
A M Maseko	√	√	√	√
J D Redelinghuys	√	√	√	×+

√ Present
× Absent with apology
\+ Alternate representative in attendance

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. The March 2016 financial statements were tabled in Parliament on 12 September 2016.

Internal controls

The Internal Audit Department of the SARB evaluates internal controls in place to ensure the integrity and reliability of the CPD's financial information, compliance with all applicable laws and regulations, the accomplishment of objectives, efficiency of operations, and the safeguarding of assets. The Risk Management and Compliance Department of the SARB assesses the risk management processes of the CPD. The Audit Committee of the SARB is responsible for evaluating and monitoring internal controls of the CPD.

Administration and accounting

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

The administration and accounting of funds under the control of the CPD is performed by the Financial Services Department and the investment of funds is the responsibility of the Financial Markets Department, both of which are departments of the SARB. This is governed by a formal management agreement.

Contingency reserve

In terms of section 15 of the CPD Act, a contingency reserve is maintained to provide against risks to which the CPD is exposed. Movements in the contingency reserve are set out in the statement of changes in equity on page 8 of the financial statements.

Financial results and performance

The financial results and performance of the CPD are set out in the financial statements. The surplus remaining after the payment of a dividend and transfer to the contingency reserve amounted to R73.3 million (2016: R72.6 million), which will be paid to government in terms of the CPD Act.

Share capital

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

Dividend

A dividend of 10 cents per ordinary share was declared during the year and paid on 25 April 2017.

Secretary

M A Masibi-Malotle

Registered office

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

Independent auditor's report

to the shareholder of the Corporation for Public Deposits

Opinion

We have audited the consolidated and separate financial statements of the Corporation for Public Deposits (CPD), set out on pages 7 to 23, which comprise the statements of financial position as at 31 March 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information. In our opinion, the financial statements of the CPD for the year ended 31 March 2017 have been prepared, in all material respects, in accordance with IFRS.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the CPD in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of directors for the financial statements

The CPD's directors are responsible for the preparation of the consolidated and separate financial statements in accordance with IFRS. The CPD's directors are further responsible for determining that the basis of presentation is acceptable in the circumstances, 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.

In preparing the financial statements, the directors are responsible for assessing the CPD's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going-concern basis of accounting unless the directors either intend to liquidate the CPD or to cease operations, or have no realistic alternative but to do so.

Responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CPD's internal control.

- Conclude on the appropriateness of the directors' use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the CPD's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the CPD to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by the Directors.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

SizweNtsalubaGobodo Inc.
Director: Agnes Dire
Registered Auditor
20 Morris Street East
Woodmead
2191
Johannesburg

9 May 2017

SizweNtsalubaGobodo Inc. Head office 20 Morris Street East Woodmead 2191 P O Box 2939 Saxonwold 2132
Tel: (011) 231 0600 Fax: (011) 234 0933
Executive: Victor Sekese (Chief Executive)
A comprehensive list of all directors is available at the company offices or registered office. SizweNtsalubaGobodo Inc.
Registration number: M2005/034639/21

Statement of financial position

at 31 March 2017

	Notes	2017 R'000	2016 R'000
Assets			
Cash and cash equivalents	2	34 067 122	15 309 924
Money market investments	3	3 807 393	4 314 923
Short-term deposits	4	0	22 958 735
Loans and advances	5	27 596 644	27 297 204
South African government bonds	6	391 220	397 206
Total assets		65 862 379	70 277 992
Liabilities			
Bank overdraft	2	3 453	0
Deposit accounts	7	65 683 403	70 103 442
Dividends payable		200	0
Surplus due to government	8	73 323	72 550
Total liabilities		65 760 379	70 175 992
Capital and reserves			
Share capital	9	2 000	2 000
Contingency reserve		100 000	100 000
Total capital and reserves		102 000	102 000
Total liabilities, capital and reserves		65 862 379	70 277 992

Statement of profit or loss and other comprehensive income

for the year ended 31 March 2017

	Notes	2017	2016
Interest income	10	5 932 287	4 549 731
Interest expense	11	(5 858 707)	(4 453 151)
Net interest income		73 580	96 580
Unrealised profit/(loss) on investments		3 292	(20 453)
Total income		76 872	76 127
Operating costs	12	(3 349)	(3 377)
Profit for the year		73 523	72 750
Taxation	13	0	0
Total comprehensive income for the year		73 523	72 750

Statement of changes in equity

for the year ended 31 March 2017

	Share capital	Accumulated profit	Contingency reserve	Total
	R'000	R'000	R'000	R'000
Balance at 31 March 2015	2 000	0	100 000	102 000
Total comprehensive income for the year	0	72 750	0	72 750
Transfer to government	0	(72 550)	0	(72 550)
Dividends paid	0	(200)	0	(200)
Balance at 31 March 2016	2 000	0	100 000	102 000
Total comprehensive income for the year	0	73 523	0	73 523
Transfer to government	0	(73 323)	0	(73 323)
Dividends paid	0	(200)	0	(200)
Balance at 31 March 2017	2 000	0	100 000	102 000

Explanatory notes

Contingency reserve

In terms of section 15 of the CPD Act, a contingency reserve is maintained to provide against risks to which the CPD is exposed. For the years ended 31 March 2017 and 31 March 2016 no amounts were transferred from accumulated profit to the contingency reserve.

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 2017, an amount of R73.3 million (2016: R72.6 million) was due to government.

Statement of cash flows

for the year ended 31 March 2017

	Notes	2017	2016
		R'000	R'000
Cash flows from operating activities			
Cash (utilised)/generated from operating activities	14.1	(4 722 828)	11 451 336
Interest received		5 932 287	4 549 731
Interest paid		(5 858 707)	(4 453 151)
Dividends paid		0	(200)
Transfer to government payment		(72 550)	(79 800)
Net cash flows (utilised)/generated from operating activities		(4 721 798)	11 467 916
Cash flows generated/(utilised) by investing activities		23 475 543	(12 020 561)
Decrease in money market investments	14.2	510 854	8 004 610
Decrease/(increase) in short-term deposits		22 958 735	(20 030 658)
Decrease in South African government bonds	14.3	5 954	5 487
Net increase/(decrease) in cash and cash equivalents		18 753 745	(552 645)
Cash and cash equivalents at beginning of the year		15 309 924	15 862 569
Cash and cash equivalents at end of the year		34 063 669	15 309 924

Notes to the financial statements

for the year ended 31 March 2017

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 applied consistently to all years presented, unless otherwise stated.

1.1 Basis of preparation

These annual financial statements have been prepared in accordance with IFRSs, in the manner required by the CPD Act and the accounting policies set out below, on the going-concern basis. The financial statements have been prepared on 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 at initial recognition.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies of the CPD.

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

1.2 New standards and interpretations

1.2.1 New and amended standards adopted

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

IAS 1, Presentation of Financial Statements: Disclosure

Initiative: Amendments designed to encourage entities to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make it clear that materiality applies to the whole of the financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures.

Furthermore, the amendments clarify that entities should use professional judgement in determining where and in what order information is presented in the financial disclosures. The effective date of the amendment is for years beginning on or after 1 January 2016. The CPD adopted the amendment for the first time in the 2017 financial statements. The amendment has no material impact on the financial statements.

There are no other new and amended standards applicable to the CPD for the financial year ended 31 March 2017.

1.2.2 New standards, amendments and interpretations not yet adopted

A number of new standards, amendments and interpretations are effective for annual periods beginning after 1 April 2017, and have not been early adopted in preparing these financial statements.

None of these are expected to have a significant impact on the financial statements, except for the following:

- *IFRS 9, Financial Instruments*: A final version of *IFRS 9, Financial Instruments*, has been issued which replaces *IAS 39, Financial Instruments: Recognition and Measurement*. The complete standard comprises guidance on classification and measurement, impairment, hedge accounting and derecognition. *IFRS 9, Financial Instruments*, introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held, and their cash flow characteristics. A new business model was introduced which does allow certain financial assets to be categorised as 'fair value through other comprehensive income' in certain circumstances. The requirements for financial liabilities are mostly carried forward unchanged from *IAS 39, Financial Instruments: Recognition and Measurement*. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk. The new model introduces a single impairment model being applied to all financial instruments, as well as an ‘expected credit loss’ model for the measurement of financial assets. *IFRS 9, Financial Instruments,* contains a new model for hedge accounting that aligns the accounting treatment with the risk management activities of an entity, as well as enhanced disclosures that will provide better information about risk management and the effect of hedge accounting on the financial statements. *IFRS 9, Financial Instruments,* carries forward the derecognition requirements of financial assets and liabilities from *IAS 39, Financial Instruments: Recognition and Measurement*. The effective date has not yet been established as the project is currently incomplete. The International Accounting Standards Board (IASB) has communicated that the effective date will not be before years beginning on or after 1 January 2018. *IFRS 9, Financial Instruments,* may be early adopted. If it is early adopted, the new hedging requirements may be excluded until the effective date. The CPD expects to adopt the standard for the first time in the first annual financial period after the effective date. While the CPD is still undertaking a detailed assessment of the impact of the application of IFRS 9 on its financial statements, the initial gap assessments indicate that there are no major gaps in the current measurement of financial assets and liabilities as they are largely in line with IFRS 9, *Financial Instrument*. While the CPD is still assessing how its impairment provisions will be affected by the new impairment model of IFRS 9, which is likely to result in the earlier recognition of credit losses, the initial gap assessments indicate that there are no major gaps in the current impairment models due to the short nature of the financial assets and the fact that they are mostly over collateralised. The CPD is currently at the impact- assessment phase of the IFRS 9 journey. The focus is on understanding the IFRS 9 financial and operational implications, with outcomes being key inputs to the design and implementation phases. Also, the phased approach will help the CPD to identify any gaps with the implementation of IFRS 9, especially in terms of the people, processes, technology and controls that will be necessary to drive an effective implementation. The CPD expects to enter the design phase during the first quarter of the 2018 financial year. This phase will involve obtaining information from current systems, adjusting the information technology (IT) systems to capture the additional data requirements and determination of what constitutes a default and significant credit loss. By the second quarter of the 2018 financial year, the CPD should be ready for a parallel run of the IFRS 9 and IAS 39 standards.

- *IAS 7, Cash Flow Statement:* The IASB issued an amendment to *IAS 7, Cash Flow Statement,* introducing additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The effective date of this amendment is for years commencing on or after 1 January 2018. The CPD expects to adopt the standard for the first time in the first annual financial period after the effective date. The adoption of this amendment is not expected to impact on the results of the CPD, but may result in more disclosure than is currently provided in the financial statements. There are no other IFRS or International Financial Reporting Interpretations Committee (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the CPD.

1.3 Financial instruments

1.3.1 Financial assets

1.3.1.1 Classification

The CPD classifies its financial assets into the following categories: financial assets at fair value through profit or loss (including held for trading); loans and receivables; and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition. Management applies principles contained in the Investment Guidelines of the CPD to determine the number of days used to classify cash and cash equivalents and short-term deposits, and to determine the maturity structure of financial assets in the financial statements of the CPD. Instruments with maturities of less than three months at the inception of the deal is classified as ‘cash and cash equivalents’ and instruments with maturity of more than three months are classified as ‘short-term deposits’. These principles align the classification with the definition of cash and cash equivalents in *IAS 7, Statement of Cash Flow*.

Financial assets at fair value through profit or loss

This category comprises two subcategories: (i) financial assets held for trading; and (ii) 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’, unless they are designated as hedges at inception.

A financial asset is designated as 'fair value through profit or loss' when it either 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 that is managed and whose 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; or it forms part of a contract containing one or more embedded derivatives and *IAS 39, Financial Instruments: Recognition and Measurement*, permits the entire combined contract (asset or liability) to be designated as 'fair value through profit or loss'.

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

- money market investments;
- short-term deposits; and
- South African government bonds.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These arise when the CPD provides loans directly to a debtor with no intention of trading the receivable. This category does not include those loans and receivables that the CPD intends to sell in the short term or that it has designated as at 'fair value through profit or loss' or 'available for sale'.

The following categories of financial assets have been classified as 'loans and receivables':

- loans and advances; and
- cash and cash equivalents.

The category 'cash and cash equivalents' comprises deposits with banks and other short-term highly liquid money market investments with original maturities of three months or less (91 days and less). Where the maturity date falls on a weekend or a public holiday the next business day convention will apply; however, the investment will still be considered a 91-day investment. For the purpose of the statement of cash flows, cash and cash equivalents includes cash and cash equivalents as defined under this paragraph, net of the bank overdraft (if any).

Held-to-maturity financial assets

No financial assets have been designated as 'held to maturity'.

Available-for-sale financial assets

No financial assets have been classified as 'available for sale'.

1.3.1.2 Recognition and derecognition

The CPD recognises financial assets on the date on which the CPD 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 the fair value of the assets are recognised in profit or loss.

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.

1.3.1.3 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 for 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 the trade date, namely the date on which the CPD commits itself to purchasing or selling the asset. From this date, any gains or losses arising from changes in the fair value of the assets and liabilities are recognised. Financial assets are 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. The CPD derecognises financial liabilities only when the CPD's obligations are discharged or cancelled, or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

The best evidence of fair value on initial recognition is the transaction price, unless fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on discounted cash flow models and option-pricing valuation techniques whose variables include data from observable markets.

Subsequent measurement

Loans and receivables are subsequently carried at amortised cost using the effective interest method. The amortised cost of a financial asset is the amount at which the financial asset is measured on initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reductions for impairment of financial assets.

Available-for-sale financial assets are subsequently carried at fair value. Unrealised gains and losses arising from changes in fair value are recognised in other comprehensive income.

When the financial assets are derecognised the cumulative gain or loss recognised in other comprehensive income is transferred to profit or loss as a reclassification adjustment.

1.3.1.4 Impairment of financial assets

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The CPD assesses whether there is objective evidence that a financial asset is impaired at each reporting date. Any impairment loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and is recognised in profit or loss.

1.3.2 Financial liabilities

1.3.2.1 Classification

The CPD classifies its financial liabilities into the following categories: financial liabilities at fair value through profit or loss; and financial liabilities at amortised cost.

The CPD classifies a financial instrument that it issues as a financial liability in accordance with the substance of the contractual agreement.

Management determines the classification of financial liabilities at initial recognition.

Financial liabilities at fair value through profit or loss

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

Financial liabilities at amortised cost

The following liabilities have been classified as financial liabilities at amortised cost: deposit accounts; bank overdrafts; and other financial liabilities.

1.3.2.2 Recognition and derecognition

The CPD recognises financial liabilities when it becomes a party to the contractual provisions of the instruments. The CPD derecognises financial liabilities when, and only when, the CPD's obligations are discharged or cancelled, expire or are substantially modified. The difference between the carrying amount of the financial liability derecognised, and the consideration paid and payable is recognised in profit or loss.

1.3.2.3 Measurement

Initial measurement

Financial liabilities are initially recognised at fair value, generally being their issue proceeds net of transaction costs incurred, except for financial liabilities at fair value through profit or loss. The best evidence of fair value on initial recognition is the transaction price, unless the fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on discounted cash flow models and option-pricing valuation techniques whose variables include only data from observable markets.

Subsequent measurement

Subsequent to initial recognition, financial liabilities are measured at fair value.

Financial liabilities are subsequently carried at amortised cost. The amortised cost of a financial liability is the amount at which the financial liability is measured on initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reductions for the impairment of financial liabilities. The carrying amount represents its fair value.

Fair values are determined according to the hierarchy based on the requirements in *IFRS 13, Fair Value Measurement*, as set out in Note 16 to the financial statements. Fair values are established as follows:

- Money market investments and South African government bonds: The managers utilise quoted market prices for quoted financial instruments and market-acceptable valuation techniques for unquoted financial instruments. Where these instruments are bank deposits, they are valued at nominal values plus accrued interest based on market rates. These values approximates fair values. Non-interest-bearing Treasury bills are stated at nominal value, since they do not have fixed maturity dates.

- Short-term deposits: These instruments are valued at nominal values plus accrued interest based on market rates. These values approximates fair values.

- Loans and advances and non-trading liabilities: Loans and advances and Non-trading liabilities are measured at amortised cost, which approximates fair values.

1.3.3 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 instrument.

1.3.4 Hedge accounting

Hedge accounting has not been applied to any transaction for both the year under review and the previous year.

1.3.5 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.

1.3.6 Set-off

Financial assets and financial liabilities are offset and the net amount is 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 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.

1.5 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.

1.6 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.

1.7 Fair value

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

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

2. Cash and cash equivalents

	2017 R'000	2016 R'000
Current account with the SARB	0	7 647
Call deposit with the SARB	8 697 788	9 561 256
Short-term deposits at commercial banks	21 705 000	4 005 000
Money-market investments	3 562 574	1 669 825
Accrued interest	101 760	66 196
	34 067 122	15 309 924

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

Cash and cash equivalents	34 067 122	15 309 924
Overdraft with the SARB	(3 453)	0
	34 063 669	15 309 924

The call deposit with the SARB 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 transactions conducted by the SARB with market counterparts. The 91-day Treasury bill yield will be applicable if this average rate falls below the Treasury bill yield. The short-term deposits at commercial banks earn interest at market-related rates.

Included in the money market investments are repurchase agreements of R3.6 billion. The following table presents details thereof:

Fair value of repurchase agreements	3 562 567	0
Fair value of collateral received	3 561 776	0
Fair value of collateral permitted to sell or repledge at the reporting date	3 561 776	0
Collateral cover	100%	0%
Maturity date	6 April 2017	

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. Financial instruments classified as cash and cash equivalents have maturities of less than three months since inception.

3. Money market investments

	2017 R'000	2016 R'000
Non-interest-bearing Treasury bills	72 588	72 588
Land Bank promissory notes	946 283	1 043 421
Negotiable certificates of deposit	751 177	1 707 535
Bridging bonds	0	504 820
Treasury bills	0	986 559
Other discount instruments	1 940 788	0
Land Bank bills	96 557	0
	3 807 393	4 314 923
Maturity structure of money market investments[(1)]		
1 month and less	162 139	72 588
Between 1 and 3 months	1 402 215	3 948 565
Between 3 and 6 months (more than 91 days)	2 243 039	293 770
	3 807 393	4 314 923
For investments that meet the definition of financial assets designated at fair value:		
Maximum exposure to credit risk	3 807 393	4 314 923

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

4. Short-term deposits

	2017 R'000	2016 R'000
Fixed deposits at commercial banks	0	22 800 000
Accrued interest	0	158 735
	0	22 958 735
Maturity structure of short-term deposits[(1)]		
Between 1 and 3 months	0	22 958 735
	0	22 958 735

Short-term deposits are made for varying periods, depending on the CPD's immediate cash requirements, and earn interest at market-related rates. Short-term deposits with a maturity of less than three months from inception are classified as cash and cash equivalents.

5. Loans and advances

	2017 R'000	2016 R'000
Interest-bearing loans	27 596 644	27 297 204

These loans are unsecured and, at the reporting date, not past due or impaired. In terms of the current interest rate policies as approved by the Board, these loans earn interest at a rate equal to the yield on 91-day Treasury bills. The prevailing rate at the reporting date was 7.42% (2016: 7.24%).

The loans are advanced as part of the national government's Inter-Governmental Cash Coordination (IGCC) arrangement in terms of which some state-owned entities and treasuries of provincial governments deposit excess funds with the CPD to form a pool of funds from the public sector. The national and the provincial treasuries are allowed to borrow money from the IGCC pool of funds. National Treasury guarantees that the deposits will be made available to depositors on demand.

[(1)]The maturity structure is calculated from the last day of the financial year (31 March 2017) to the maturity date of the financial instrument.

6. South African government bonds

	2017 R'000	2016 R'000
Listed bonds: interest-bearing	389 773	395 760
Accrued interest	1 447	1 447
	391 220	397 206
Effective interest rate	6.89%	6.81%

These bonds are unencumbered and, at the reporting date, not past due or impaired and earn interest at a market-related rate.

7. Deposit accounts

Interest-bearing deposits	65 610 815	70 030 854
Non-interest-bearing deposits	72 588	72 588
	65 683 403	70 103 442

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, 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 7.32% (2016: 7.14%). Non-interest-bearing deposits fund the non-interest-bearing Treasury bills included in Note 3 on page 16.

8. Surplus due to government

Surplus due to government	73 323	72 550

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.

9. Share capital

Authorised 2 000 000 (2016: 2 000 000) ordinary shares at R1 each	2 000	2 000
Issued 2 000 000 (2016: 2 000 000) ordinary shares at R1 each	2 000	2 000

10. Interest income

Interest on call and fixed deposits	1 889 086	1 482 999
Interest on money market instruments	176 618	392 601
Interest on loans and advances	3 712 258	2 396 330
Interest on South African government bonds	27 044	27 513
Discount received	127 281	250 288
	5 932 287	4 549 731

11. Interest expense

	2017 R'000	2016 R'000
Interest on deposit accounts	5 858 137	4 449 125
Interest on margin call	251	120
Interest on overdraft	319	3 906
	5 858 707	4 453 151

Interest on deposit accounts is calculated as set out in Note 7 on page 17.

Interest on 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 6.89% (2016: 6.71%).

12. Operating costs

	2017 R'000	2016 R'000
Audit fees	220	248
Other operating costs	3 129	3 129
	3 349	3 377

13. Taxation

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

14. Notes to the statement of cash flows

14.1 Cash (utilised)/generated from operating activities

	2017 R'000	2016 R'000
Profit for the year	73 523	72 750
Adjustments for:		
Interest income	(5 932 287)	(4 549 731)
Interest expense	5 858 707	4 453 151
Unrealised (profit)/loss on investments	(3 292)	20 453
	(3 349)	(3 377)
Changes in working capital:		
Loans and advances	(299 440)	(5 839 973)
Deposit accounts	(4 420 039)	17 294 686
	(4 722 828)	11 451 336

14.2 Decrease in money market investments

	2017 R'000	2016 R'000
Decrease in money market investments	507 530	8 014 033
Adjustment for non-cash item:		
Unrealised profit/(loss) on money market investments	3 324	(9 423)
	510 854	8 004 610

14.3 Decrease in South African government bonds

	2017 R'000	2016 R'000
Decrease in South African government bonds	5 986	16 517
Adjustment for non-cash item:		
Unrealised loss on South African government bonds	(32)	(11 030)
	5 954	5 487

15. Events after the reporting date

No material events occurred between 31 March 2017 and 4 May 2017 requiring disclosure in, or adjustment to, the annual financial statements for the year ended 31 March 2017.

16. Risk management in respect of financial instruments

Interest rate management

The rand-denominated financial assets and liabilities of the CPD respectively earn and bear interest at rates linked to South African money market rates. The CPD is exposed to interest rate risk and this is managed through specifying maturity limits in the Investment Guidelines.

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, including cash and cash equivalents, loans and advances, and South African government bonds

Interest-bearing deposits are invested in call and fixed deposits, other money market investments and South African government bonds at market-related yields. Interest earned on special Treasury bills is at the prevailing yield on 91-day 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 SARB and the CPD, the SARB will pay interest to the CPD at a rate equal to 91-day Treasury bills. The 91-day Treasury bill yield will be applicable if this rate falls below the Treasury bill yield. In terms of the current interest rate policies as approved by the Board, loans and advances earn interest at a rate equal to the yield on 91-day Treasury bills.

The CPD's financial assets and liabilities earn and bear interest 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

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligations. Credit risk arises from activities of the CPD such as advances to, and deposits made with, other institutions and the settlement of financial market transactions.

Credit risk is mitigated in the CPD by specifying a list of eligible securities in the investment guidelines. The minimum counterparty credit rating for investment in the CPD is by Standard & Poor's or its Moody's or Fitch rating equivalents.

The CPD portfolio had exposure to a counterparty that was below the minimum rating; however, the exposure was government guaranteed and assumes the rating of the government.

Call and fixed deposits

The CPD invests in banks that have capital and reserves in excess of R2 billion, and limits its exposure to 20% per bank. The exposure to call and fixed deposits at commercial banks at 31 March 2017 was R21.7 billion (2016: R26.8 billion), excluding accrued income. The CPD also places call deposits with the SARB. The total exposure to call deposits at the SARB at 31 March 2017 was R8.7 billion (2016: R9.6 billion), excluding accrued income.

Money-market instruments, including cash and cash equivalents

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 20% 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 SARB. The CPD utilises banking institutions with a minimum credit rating of BBB- by the agencies Standard & Poor's, Fitch and Moody's.

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 management

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 (91 days or less). Where the maturity date falls on a weekend or a public holiday the business day convention will apply. Such an instance could result in a total maturity of more or less than 91 days. However, the investment will still be considered a 91-day investment. The maturity structure of investments at 31 March is shown in notes 2, 3 and 4.

Deposit accounts

The business of the CPD is to accept call deposits and invest the funds so obtained in short-term money market instruments, Treasury bills, South African government bonds and with the SARB. The Financial Markets Department of the SARB is responsible for investing funds deposited with the CPD according to the Investment Guidelines approved by the Board. This department endeavours to invest funds in an optimal manner, taking into account the expected cash flow of the CPD, the interest rate cycle, the possible liquidity impact and market tendencies.

Sensitivity analysis

The CPD is subject to interest rate risk for money market instruments and price risk for South African government bonds. The table below shows the effect of sensitivity of the portfolio of money market investments and South African government bonds in the statement of financial position to a reasonably possible 100 basis point increase or decrease in interest rates and price on the CPD's profit or loss for the year.

	Increase in basis points	Sensitivity of net income: increase/ (decrease)	Decrease in basis points	Sensitivity of net income: increase/ (decrease)
		R'000		R'000
2017				
Money market investments	+100	(11 472)	-100	11 476
South African government bonds (price movement)	+100	(16 925)	-100	8 843
2016				
Money market investments	+100	(11 761)	-100	11 783
South African government bonds (price movement)	+100	(16 971)	-100	8 770

Fair value hierarchy disclosures

The table below 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.

Financial instruments

	Total R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000
2017				
Items measured at fair value on a recurring basis				
Financial assets				
Money market investments	3 807 393	0	3 807 393	0
South African government bonds	391 220	391 220	0	0
Items measured at amortised cost				
Financial assets				
Cash and cash equivalents	34 067 122	30 504 548	3 562 574	0
Loans and advances	27 596 644	0	27 596 644	0
Financial liabilities				
Bank overdraft	3 453	0	3 453	0
Deposit accounts	65 683 403	0	65 683 403	0
2016				
Items measured at fair value on a recurring basis				
Financial assets				
Money market investments	4 314 923	0	4 314 923	0
Short-term deposits	22 958 735	22 958 735	0	0
South African government bonds	397 206	397 206	0	0
Items measured at amortised cost				
Financial assets				
Cash and cash equivalents	15 309 924	13 640 099	1 669 825	0
Loans and advances	27 297 204	0	27 297 204	0
Financial liabilities				
Deposit accounts	70 103 442	0	70 103 442	0

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

	Total R'000	Designated at fair value R'000	Loans and receivables R'000	Other liabilities R'000
2017				
Interest income	5 932 287	220 831	5 711 456	0
Interest expense	(5 858 707)	0	0	(5 858 707)
Unrealised profit on investments	3 292	3 292	0	0
2016				
Interest income	4 549 731	1 086 849	3 462 882	0
Interest expense	(4 453 151)	0	0	(4 453 151)
Unrealised loss on investments	(20 453)	(20 453)	0	0

18. Classification of financial assets and liabilities

	Carrying amounts				
	Total	Designated at fair value	Loans and receivables	Other liabilities at amortised cost	Fair value
	R'000	R'000	R'000	R'000	R'000
2017					
Financial assets					
Cash and cash equivalents	34 067 122	0	34 067 122	0	34 067 122
Money market investments	3 807 393	3 807 393	0	0	3 807 393
Loans and advances	27 596 644	0	27 596 644	0	27 596 644
South African government bonds	391 220	391 220	0	0	391 220
	65 862 379	4 198 613	61 663 766	0	65 862 379
Financial liabilities					
Bank overdraft	3 453	0	0	3 453	3 453
Deposit accounts	65 683 403	0	0	65 683 403	65 683 403
	65 686 856	0	0	65 686 856	65 686 856
2016					
Financial assets					
Cash and cash equivalents	15 309 924	0	15 309 924	0	15 309 924
Money market investments	4 314 923	4 314 923	0	0	4 314 923
Short-term deposits	22 958 735	22 958 735	0	0	22 958 735
Loans and advances	27 297 204	0	27 297 204	0	27 297 204
South African government bonds	397 206	397 206	0	0	0
	70 277 992	27 670 864	42 607 128	0	69 880 786
Financial liabilities					
Deposit accounts	70 103 442	0	0	70 103 442	70 103 442
	70 103 442	0	0	70 103 442	70 103 442

19. Related party disclosures

Name	Relationship
South African Reserve Bank	Holding company, key management personnel services provider
South African Mint Company (RF) Proprietary Limited	Fellow subsidiary
South African Bank Note Company (RF) Proprietary Limited	Fellow subsidiary
Pension Fund of the South African Reserve Bank	Pension fund of holding company
South African Reserve Bank Retirement Fund	Retirement fund of holding company
National Treasury	Significant influence
A D Mminele (South African Reserve Bank)	Key management personnel
L R Myburgh (South African Reserve Bank)	Key management personnel
J Redelinghuys (National Treasury)	Key management personnel
A M Maseko (National Treasury)	Key management personnel

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

	Expenditure paid to	Interest income	Interest expense	Amounts owed by	Amounts owed to
	R'000	R'000	R'000	R'000	R'000
2017					
South African Reserve Bank	3 129	736 392	319	8 760 993	3 453
South African Mint Company (RF) Proprietary Limited	0	0	14 045	0	87 469
South African Bank Note Company (RF) Proprietary Limited	0	0	43 170	0	368 394
Pension Fund of the South African Reserve Bank	0	0	2	0	0
South African Reserve Bank Retirement Fund	0	0	571	0	1 538
National Treasury	0	3 712 258	5 800 349	27 596 644	65 229 455
2016					
South African Reserve Bank	3 129	731 648	3 906	9 629 910	0
South African Mint Company (RF) Proprietary Limited	0	0	20 168	0	298 425
South African Bank Note Company (RF) Proprietary Limited	0	0	38 493	0	362 851
South African Reserve Bank Captive Insurance Company (RF) Limited	0	0	883	0	0
Pension Fund of the South African Reserve Bank	0	0	8	0	134
South African Reserve Bank Retirement Fund	0	0	497	0	8 086
National Treasury	0	2 396 330	4 389 076	27 297 204	69 433 946

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.

Abbreviations

Board	Board of Directors of the Corporation for Public Deposits
CPD	Corporation for Public Deposits
CPD Act	Corporation for Public Deposits Act 46 of 1984
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRSs	International Financial Reporting Standards
IGCC	Inter-Governmental Cash Coordination
IRBA Code	Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors
ISA	International Standard on Auditing
Minister	Minister of Finance
SARB	South African Reserve Bank