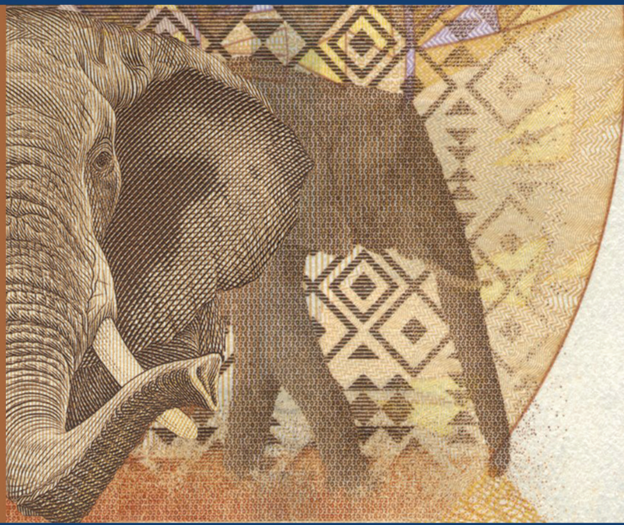
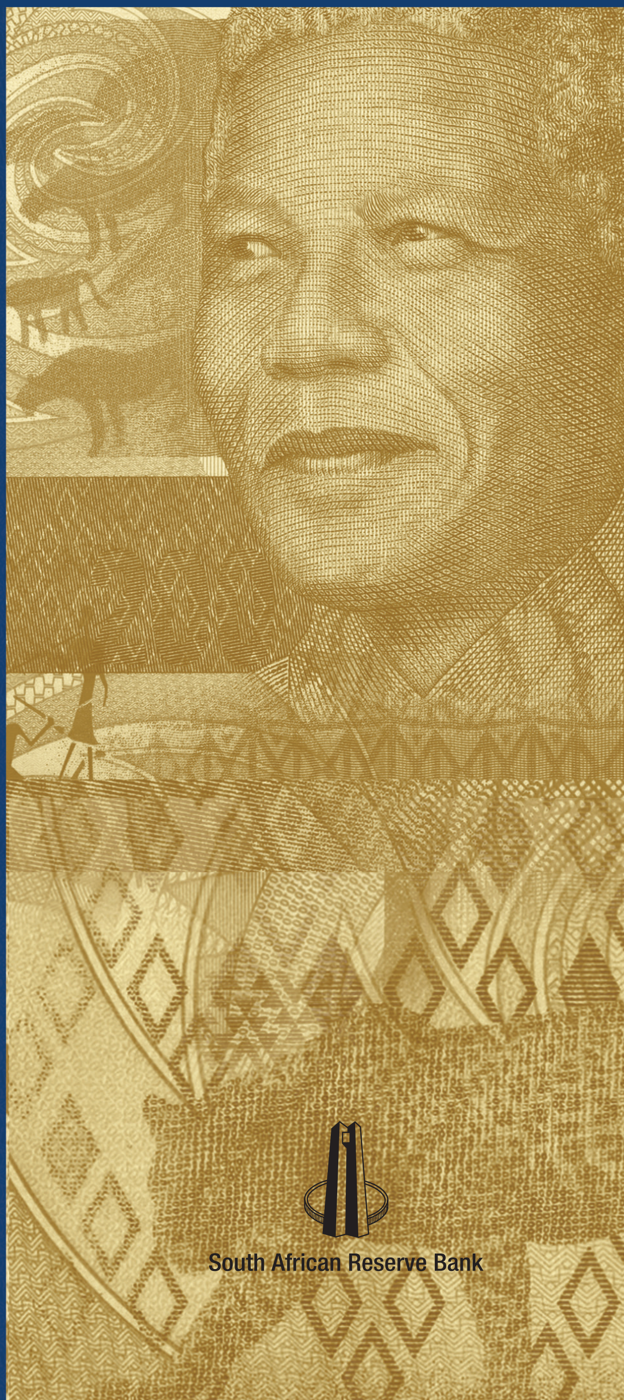


Corporation for Public Deposits

Annual Financial Statements for the year ended 31 March 2019



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Produced by the Publishing Section
South African Reserve Bank

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 occurred during the year under review.

The annual financial statements have been audited by an independent auditing firm, SNG Grant Thornton 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
15 May 2019

Directors' report

for the year ended 31 March 2019

The directors present the CPD's 35th annual financial statements for the year ended 31 March 2019.

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 of 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 or 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, 2018/19

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 2019	K Naidoo
L R Myburgh	Officer of the SARB	1 March 2019	M Nkuna
A M Maseko	Officer of National Treasury	4 April 2012	B Mokwala
J D Redelinghuys	Officer of National Treasury	1 May 2016	W H Moolman

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, the 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 of directors for CPD Board meetings, 2018/19

	03/05/2018	23/08/2018	23/11/2018	19/02/2019
A D Mminele	√	×+	√	√
L R Myburgh	√	√	√	√
M Maseko	×+	√	√	√
J D Redelinghuys	√	×	√	×

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

Corporation for Public Deposits

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, where after the Minister tables them in Parliament. The March 2018 financial statements were tabled in Parliament on 5 July 2018.

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, the 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 the 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 R41.9 million (2018: R91.2 million), which will be paid to government in terms of the CPD Act.

Share capital

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

Dividend

A dividend of 10 cents per ordinary share was declared during the year and paid on 12 March 2019.

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 annual financial statements of the Corporation for Public Deposits (CPD), set out on pages 7 to 33, which comprise the statements of financial position as at 31 March 2019, 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 present fairly, in all material respects, the financial position of Corporation for Public Deposits as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 bank in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) 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.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Corporation for Public Deposits Act 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.

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

Auditor's 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. 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 judgment and maintain professional skepticism throughout the planning and performance of 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 bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- 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 Company'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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity and business activities to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the directors 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Chetty

Alethia Chetty
Chartered Accountant (SA)
Registered Auditor
Director

12 June 2019

SNG Grant Thornton
20 Morris Street East
Woodmead, 2191
P.O. Box 2939
Saxonwold, 2132
T: 011 231 0600

Statement of financial position

at 31 March 2019

	Notes	2019 R'000	2018 R'000
Assets			
Cash and cash equivalents	2	37 418 853	45 446 802
Money market investments	3	5 778 090	2 876 811
Short-term deposits	4	11 070 414	3 029 392
Loans and advances	5	17 575 766	17 511 786
Total assets		71 843 123	68 864 791
Liabilities			
Bank overdraft	2	17 639	0
Deposit accounts	6	71 631 549	68 671 596
Surplus due to government	7	41 935	91 195
Total liabilities		71 691 123	68 762 791
Capital and reserves			
Share capital	8	2 000	2 000
Contingency reserve		150 000	100 000
Total capital and reserves		152 000	102 000
Total liabilities, capital and reserves		71 843 123	68 864 791

Statement of profit or loss and other comprehensive income

for the year ended 31 March 2019

Interest income	9	5 570 801	5 330 374
Interest expense	10	(5 476 759)	(5 232 755)
Net interest income		94 042	97 619
Realised loss on investments		0	(1 281)
Unrealised profit/(loss) on investments		1 995	(1 226)
Total income		96 037	95 112
Operating costs	11	(3 902)	(3 717)
Profit for the year		92 135	91 395
Taxation	12	0	0
Total comprehensive income for the year		92 135	91 395

Statement of changes in equity

for the year ended 31 March 2019

	Share capital	Accumulated profit	Contingency reserve	Total
	R'000	R'000	R'000	R'000
Balance at 31 March 2017	2 000	0	100 000	102 000
Total comprehensive income for the year	0	91 395	0	91 395
Transfer to government	0	(91 195)	0	(91 195)
Dividends paid	0	(200)	0	(200)
Balance at 31 March 2018	2 000	0	100 000	102 000
Total comprehensive income for the year	0	92 135	0	92 135
Transfer to government	0	(41 935)	0	(41 935)
Transfer to reserves	0	(50 000)	50 000	0
Dividends paid	0	(200)	0	(200)
Balance at 31 March 2019	2 000	0	150 000	152 000

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 2019, an amount of R50.0 million (2018: R0 million) was transferred from accumulated profit to the contingency reserve.

Dividend paid

As per paragraph 3(c) of the CPD Act, the CPD has the power to pay the shareholder annually, from its net profits, a dividend of R200 000 on the paid-up capital of the CPD.

Transfer to government

In terms of section 15 of the CPD Act, the surplus remaining after transfers to reserves and the payment of dividends has to be paid to government. For the year ended 31 March 2019, an amount of R41.9 million (2018: R91.2 million) was due to government.

Statement of cash flows

for the year ended 31 March 2019

	Notes	2019	2018
		R'000	R'000
Cash flows from operating activities			
Cash generated from operating activities	13.1	2 892 071	13 068 053
Interest received		5 570 801	5 330 374
Interest paid		(5 476 759)	(5 232 755)
Dividends paid		(200)	(400)
Transfer to government payment		(91 195)	(73 323)
Net cash flows generated from operating activities		2 894 718	13 091 949
Cash flows utilised in investing activities		(10 940 306)	(1 708 816)
(Decrease)/increase in money market investments	13.2	(2 899 284)	929 356
Decrease in short-term deposits		(8 041 022)	(3 029 392)
Decrease in South African government bonds	13.3	0	391 220
Net (decrease)/increase in cash and cash equivalents		(8 045 588)	11 383 133
Cash and cash equivalents at beginning of the year		45 446 802	34 063 669
Cash and cash equivalents at end of the year		37 401 214	45 446 802

Notes to the financial statements

for the year ended 31 March 2019

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, and the amounts are rounded off to the nearest thousand.

1.2 New standards and interpretations

1.2.1 New and amended standard adopted by the CPD

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

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 completed standard comprises guidance on classification and measurement, impairment, hedge accounting and derecognition, and introduces a new approach to the classification of financial assets, which is driven by the business model in which the assets are held as well as their cash flow characteristics. A new business model was introduced in the standard which allows certain financial assets to be categorised as 'fair value through other comprehensive income' (FVOCI) in certain circumstances. The requirements for financial liabilities were 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, the expected credit loss (ECL) model for the measurement of financial assets. *IFRS 9 Financial Instruments* carries forward the derecognition requirements of financial assets and liabilities from *IAS 39 Financial Instruments: Recognition and Measurement*.

The mandatory effective date of the amendment is for financial years beginning on or after 1 January 2018. The CPD adopted the amendment for the first time in the 2019 financial statements and has since undertaken a detailed assessment for the impact of the application of IFRS 9 on its financial statements. The CPD did not early adopt any requirements of *IFRS 9 Financial Instruments* in previous periods.

The adoption of *IFRS 9 Financial Instruments* has resulted in changes in the CPD's accounting policies for the recognition, classification and measurement of financial assets. *IFRS 9 Financial Instruments* also significantly amends other standards that deal with financial instruments, such as *IFRS 7 Financial Instruments*: *Disclosures*.

Set out below are disclosures relating to the impact of the adoption of *IFRS 9 Financial Instruments* on the CPD. Further details of the specific *IFRS 9 Financial Instruments* accounting policies applied in the current period, as well as the previous *IAS 39 Financial Instruments: Recognition and Measurement* accounting policies applied in the comparative period, are described in more detail in the table below.

Classification and measurement of financial instruments

The measurement category and the carrying amount of the financial assets and liabilities in accordance with *IAS 39 Financial Instruments: Recognition and Measurement and IFRS 9 Financial Instruments* at 1 April 2018 were as follows:

		IAS 39 Financial Instruments: Recognition and Measurement				*IFRS 9 Financial Instruments*		
	Notes	Total	Designated at fair value	Loans and receivables	Other liabilities at amortised cost	Total	Designated at fair value through profit or loss	Amortised cost
		R'000	R'000	R'000	R'000	R'000	R'000	R'000
Financial assets								
Cash and cash equivalents	2	45 446 802	0	45 446 802	0	45 446 802	0	45 446 802
Interest received	3	2 876 811	2 876 811	0	0	2 876 811	2 876 811	0
Money market investments	4	3 029 392	3 029 392	0	0	3 029 392	3 029 392	0
Short-term deposits	5	17 511 786	0	17 511 786	0	17 511 786	0	17 511 786
Loans and advances		68 864 791	5 906 203	62 958 588	0	68 864 791	5 906 203	62 958 588
Financial liabilities								
Deposit accounts	6	68 671 596	0	0	68 671 596	68 671 596	0	68 671 596
		68 671 596	0	0	68 671 596	68 671 596	0	68 671 596

Reconciliation of statement of financial position balances from *IAS 39 Financial Instruments: Recognition and Measurement to IFRS 9 Financial Instruments*

The CPD performed a detailed analysis of its business models for managing financial assets and their cash flow characteristics. Refer to Note 1.3.1.1 for more detailed information regarding the new classification requirements of *IFRS 9 Financial Instruments*.

The following table reconciles the carrying amounts of financial instruments, from their previous measurement category in accordance with *IAS 39 Financial Instruments: Recognition and Measurement* to their new measurement categories upon transition to *IFRS 9 Financial Instruments* on 1 April 2018.

	CPD			
	IAS 39 carrying amount	Reclassifications	Remeasurements	IFRS 9 carrying amount
	R'000	R'000	R'000	R'000
Financial assets				
Amortised cost				
Cash and cash equivalents	45 446 802	0	0	45 446 802
Opening balance under IAS 39	45 446 802	0	0	0
Closing balance under IFRS 9	0	0	0	45 446 802
Loans and advances	17 511 786	0	0	17 511 786
Opening balance under IAS 39	17 511 786	0	0	0
Closing balance under IFRS 9	0	0	0	17 511 786
Total amortised cost	62 958 588	0	0	62 958 588

	IAS 39 carrying amount	Reclassifications	Remeasurements	IFRS 9 carrying amount
	R'000	R'000	R'000	R'000
Designated at fair value through profit or loss				
Money market investments	2 876 811	0	0	2 876 811
Opening balance under IAS 39	2 876 811	0	0	0
Closing balance under IFRS 9	0	0	0	2 876 811
Short-term deposits	3 029 392	0	0	3 029 392
Opening balance under IAS 39	3 029 392	0	0	0
Closing balance under IFRS 9	0	0	0	3 029 392
Total designated at fair value through profit or loss	5 906 203	0	0	5 906 203
Total financial assets	68 864 791	0	0	68 864 791
Financial liabilities				
Amortised cost				
Deposit accounts	68 671 596	0	0	68 671 596
Opening balance under IAS 39	68 671 596	0	0	68 671 596
Closing balance under IFRS 9	0	0	0	0
Total amortised cost	68 671 596	0	0	68 671 596
Total financial liabilities	68 671 596	0	0	68 671 596

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 2019, 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.

IFRS 16 Leases

This is a new standard that introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The effective date of the new standard is for years beginning on or after 1 January 2019.

CPD management has assed the impact of the standard and concluded that it is not relevent to the CPD and therefore not applicable.

1.3 Financial instruments

1.3.1 Financial assets

1.3.1.1 Classification and measurement (IFRS 9)

From 1 April 2018, the CPD has applied *IFRS 9 Financial Instruments* and classifies its financial assets into the following measurement categories:

- amortised cost; and
- fair value through profit or loss.

For debt instruments, the business model test and the solely payments of principal and interest (SPPI) test are applied by the entity in determining the category which best applies to the financial instruments that it holds and/or trades. Under the business model test, the entity determines the objective for which it holds financial instruments (i.e. to hold the financial asset to collect the contractual cash flows, rather than to sell the instrument prior to its contractual maturity to realise its fair value changes, or both). Factors considered by the CPD in determining the business model of a group of assets include past experience on how the cash flows for these assets are collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed, and how managers are compensated. The business model test should be performed before the SPPI test.

Under the SPPI test, the entity must determine whether the collection of contractual cash flows represents SPPI on specified dates. In making this assessment, the CPD considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

Management determined the classification of financial assets at 1 April 2018 when *IFRS 9 Financial Instrument*s was implemented, and going forward management will determine the classification of financial assets at initial recognition. The CPD reclassifies debt instruments when, and only when, its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change.

The classification depends on the purpose for which the financial assets were acquired. 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 are classified as cash and cash equivalents, and instruments with maturities 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 Flows*.

Financial assets are initially recognised at fair value plus transaction costs, except those carried at fair value through profit or loss. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an ECL allowance is recognised for financial assets measured at amortised cost and FVOCI, as described in Note 15.4, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

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.

When the fair value of financial assets differs from the transaction price on initial recognition, the CPD recognises the difference as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- In all other cases, the difference is deferred and the timing of the recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not specifically excluded in terms of the CPD Act or designated at fair value through profit or loss, are measured at amortised cost. The carrying amount of these assets is adjusted by any ECL allowance recognised and measured as described in Note 15.4. Interest income using the effective interest method from these financial assets is included in profit or loss.

The following categories of financial assets have been classified as ‘amortised cost’:

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

Classification of financial assets in terms of IFRS 9

For debt instruments, the business model test and the cash flow characteristics test are applied by the entity in determining the category which best applies to the financial instruments that it holds and/or trades. Under the business model test, the entity must determine the objective for which it holds financial instruments (i.e. to hold the financial asset to collect the contractual cash flows, rather than to sell the instrument prior to its contractual maturity to realise its fair value changes, or both). Under the cash flow characteristics test, the entity must determine whether the collection of contractual cash flows represent SPPI on specified dates (i.e. cash flows that represent the time value of money and credit risk).

- Cash and cash equivalents

  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, as defined under this paragraph, is net of bank overdrafts (if any).

  The objective of the CPD’s business model is to hold cash and cash equivalents to collect the contractual cash flows (rather than to sell the instruments to realise fair value changes). Cash is primarily held to facilitate trading activities in the portfolios. The contractual terms of cash and cash equivalents give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

  This portfolio should be categorised under financial instruments measured at amortised cost and the accounting categorisation would not have any impact on the current accounting treatment or accounting policy for cash and cash equivalents.

- Loans and advances

  Loans and advances 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. The objective of the CPD’s business model is to hold the loans and advances to collect the cotractual cash flows (rather than to sell the instruments to realise fair value changes). The contractual terms of loans and advances give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

  This portfolio should be categorised under financial instruments measured at amortised cost and the accounting categorisation would not have any impact on the current accounting treatment or accounting policy for loans and advances.

Fair value through profit or loss

Positive derivatives, assets that do not meet the criteria for amortised cost and FVOCI are measured at fair value through profit or loss. Assets can be designated at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency; or if the financial asset will form part of a held-for-trading portfolio. A gain or a loss on a debt instrument subsequently measured at fair value through profit or loss and which is not part of a hedging relationship is recognised in profit or loss. Interest income using the effective interest method from these financial assets is included in profit or loss.

The following categories of financial assets have been classified as ‘designated at fair value through profit or loss’:

- Money market investments

  This portfolio consists of commercial project bills, promissory notes, Treasury bills, other discount instruments, negotiable certificates of deposit (NCDs) and bridging bonds which are highly liquid. The money market investments are managed alongside other investments on a fair value basis as one portfolio and reported as such to management. The strategy of the CPD is to maximise returns on its investments portfolio. The objective of the CPD's business model for this portfolio is to actively manage duration to be able to meet the main objective of repaying public deposits on demand with interest. The performance of this portfolio is managed on a market/fair value basis in order to assess the liquidity position on a daily basis and is reported as such to management. The contractual terms of money market investments give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. This portfolio should be categorised under financial instruments measured at fair value through profit or loss because it is reported on a fair value basis to management and managed on that basis. The accounting categorisation would not have any impact on the current accounting treatment or accounting policy of money market investments.

- Short-term deposits

  This portfolio consists of fixed deposits with commercial banks. Instruments with maturities of more than three months are classified as short-term deposits and are reported to management as 'investments'. The performance of these short-term deposits is managed on a market-value basis and is reported as such to management. Short-term deposits are managed alongside other investments on a portfolio basis and reported as such. Due to the short-term nature of the investments, amortised cost approximates fair value. The strategy of the CPD is to maximise returns on its investments portfolio. The contractual terms of short-term deposits give rise on specified dates to cash flows that are SPPI. This portfolio should be categorised under financial instruments designated at fair value through profit or loss because it is reported on a fair value basis to management as part of investments and managed on that basis. Management applies the principles contained in the Investment Guidelines of the CPD to determine the number of days used to classify short-term deposits and the maturity structure of financial assets in the financial statements of the CPD. Instruments with maturities of more than three months are classified as short-term deposits. This accounting categorisation would not have any impact on the current accounting treatment or accounting policy for short-term deposits.

1.3.1.2 Recognition and derecognition (IFRS 9)

Financial assets are recognised when the CPD becomes party to the contractual provisions of the instruments. Purchases and sales of financial assets entered into during the normal course of business are recognised on trade date, the date on which the CPD commits to purchase or sell the assets. 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.

1.3.1.3 Measurement (IFRS 9)

Initial measurement

Financial instruments are initially measured at fair value plus, in the case of financial instruments not carried at fair value through profit or loss, at 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 assets. From this date, any gains or losses arising from changes in the fair value of the assets and liabilities are recognised.

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 the impairment of financial assets.

1.3.1.4 Impairment of financial assets

From 1 April 2018, the CPD has applied *IFRS 9 Financial Instruments* and assesses on a forward-looking basis the ECL associated with its debt instruments carried at amortised cost and FVOCI, and with the exposure arising from loan commitments and financial guarantee contracts. The CPD recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 15.4 provides more detail on how the ECL allowance is measured.

1.3.1.5 Classification and measurement (IAS 39)

Before 1 April 2018, the CPD applied *IAS 39 Financial Instruments: Recognition and Measurement* and classified its financial assets into the following measurement categories: financial assets at fair value through profit or loss (including held-for-trading) and loans and receivables.

Financial assets at fair value through profit or loss

This category comprises two subcategories:

- financial assets held-for-trading; and
- those designated at fair value through profit or loss at inception.

A financial asset was classified as 'held-for-trading' if it was acquired principally for the purpose of selling in the short term, if it formed part of a portfolio of financial assets in which there was evidence of short-term profit-taking, or if it was so designated by management. Derivatives were also classified as 'held-for-trading', unless they were designated as hedges at inception.

A financial asset was designated as fair value through profit or loss when it either eliminated or significantly reduced 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 formed part of a portfolio of financial assets that was managed and whose performance was evaluated on a fair-value basis, in accordance with a documented risk management or investment strategy, and information about the portfolio was provided internally on that basis to key management personnel; or it formed part of a contract containing one or more embedded derivatives and *IAS 39 Financial Instruments: Recognition and Measurement* permited the entire combined contract (asset or liability) to be designated as fair value through profit or loss.

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

- money market investments; and
- short-term deposits.

Loans and receivables

Loans and receivables were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market. These arose when the CPD provided loans directly to a debtor with no intention of trading the receivable. This category did not include those loans and receivables that the CPD intended to sell in the short term or that were designated as fair value through profit or loss or available-for-sale.

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

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

The cash and cash equivalents category comprised 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 fell on a weekend or a public holiday, the next business day convention would apply; however, the investment would still be considered a 91-day investment. For the purpose of the statement of cash flows, cash and cash equivalents included cash and cash equivalents as defined under this paragraph, net of bank overdrafts (if any).

1.3.1.6 Recognition and derecognition (IAS 39)

The CPD recognised financial assets on the date on which the CPD became party to the contractual provisions to purchase the assets, and applied trade-date accounting for regular-way purchases and sales. From this date, any gains or losses that arosed from changes in the fair value of the assets were recognised in profit or loss.

Financial assets were derecognised when the rights to receive cash flows from the assets expired, or where the CPD transferred substantially all risks and rewards of ownership.

1.3.1.7 Impairment of financial assets (IAS 39)

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

1.3.2 Financial liabilities

1.3.2.1 Classification and measurement (IFRS 9)

From 1 April 2018, the CPD has applied *IFRS 9 Financial Instruments* and classifies its financial liabilities as 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 are initially recognised at fair value, generally being their issue proceeds net of transaction costs incurred. 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.

Amortised cost

The following liabilities have been classified as financial liabilities at amortised cost:

- deposit accounts;
- bank overdrafts; and
- other financial liabilities.

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

Financial liabilities measured at amortised cost, which approximates fair value, are remeasured for impairment losses, except as set out below:

- Non-interest-bearing deposit accounts and amounts due to depositors are accounted for at cost, as these do not have fixed maturity dates and are repayable on demand.

The CPD classifies all financial liabilities as subsequently measured at amortised cost and they are reported to management as such. This accounting categorisation does not have any impact on the current accounting treatment or accounting policy for financial liabilities.

1.3.2.2 Recognition and derecognition (IFRS 9)

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, 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 (IFRS 9)

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: Management utilises 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 approximate fair value. 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 approximate 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.

1.3.2.4 Classification and measurement (IAS 39)

Before 1 April 2018, the CPD applied *IAS 39 Financial Instruments: Recognition and Measurement* and classified its financial liabilities into the following measurement categories:

- financial liabilities at fair value through profit or loss; and
- financial liabilities at amortised cost.

The CPD classified a financial instrument that it issued as a financial liability in accordance with the substance of the contractual agreement. Management determined the classification of financial liabilities at initial recognition.

Financial liabilities at fair value through profit or loss

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

Financial liabilities at amortised cost

The following liabilities were classified as financial liabilities at amortised cost:

- deposit accounts;
- bank overdrafts; and
- other financial liabilities.

1.3.3 Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (excluding ECL, but 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 of the financial asset or liability. For purchased or originally credit-impaired financial assets, the CPD calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount, and incorporates the impact of ECLs in estimated future cash flows.

When the CPD revises the estimates of future cash flows, the carrying amount of the respective financial instruments is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

1.3.4 Offsetting

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 offset 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 Related parties

As per IAS 24 Related Party Disclosures (IAS 24), the financial statements contain the disclosures necessary to draw attention to the possibility that the CPD's financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

Related parties include, but are not limited to the members of management who hold positions of responsibility within the CPD including those charged with governance in accordance with legislation, and members of management that are responsible for the strategic direction and operational management of the CPD and are entrusted with significant authority. A director or alternate director shall receive no remuneration or allowances in respect of his services as a director, provided that the board may in its discretion compensate a director for actual expenses incurred by him in connection with his functions as a director. Their responsibilities however may enable them to influence the benefits of office that flow to them, their related parties or parties that they represent on the governing body.

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 Interest income recognition

Interest income is recognised on a time-proportional basis, taking account of the principal outstanding and the effective interest rate over the period to maturity. Interest income is recognised in profit or loss for all interest-bearing instruments on an accrual basis using the effective interest method. Interest income includes changes in the fair value of the CPD's financial assets. Where financial assets have been impaired, interest income continues to be recognised on the impaired value, based on the original effective interest rate. Interest income includes the amortisation of any discount or premium, or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest 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. However, there were no contigencies and commitments in the current or previous financial years.

1.8 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 instruments takes into account a market participant's ability to generate economic benefits by using the instruments in its highest and best use or by selling it to another market participant that would use the instruments in its highest and best use.

Fair values are determined according to the fair value hierarchy based on the requirements in *IFRS 13 Fair Value Measurement.* Refer to Note 16 for further details.

1.9 Key accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Other than the items listed below, there were no significant changes to the CPD's estimates and assumptions in the current or prior year.

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.

Measurement of expected credit loss allowance

The measurement of the ECL allowance for financial assets measured at amortised cost and FVOCI is an area that requires complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). An explanation of the inputs, assumptions and estimation techniques used in measuring ECL is provided in Note 15.4.3, which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- determining criteria for a significant increase in credit risk;
- choosing appropriate models and assumptions for the measurement of ECL;
- establishing the number and relative weightings of forward-looking scenarios for each type of product market and the associated ECL; and
- establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the CPD in the above areas is set out in Note 15.

2. Cash and cash equivalents

	2019 R'000	2018 R'000
Current account with the SARB	0	5 452
Call deposit with the SARB	826 588	7 451 088
Short-term deposits at commercial banks	36 205 000	30 505 000
Money market investments	0	7 212 556
Accrued interest	387 265	272 706
	37 418 853	45 446 802

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

Cash and cash equivalents	37 418 853	45 446 802
Overdraft with the SARB	(17 639)	0
	37 401 214	45 446 802

As per the accounting policy, instruments with a maturity of less than three months from inception are classified as cash and cash equivalents. 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 R0 billion (2018: R4.6 billion). The following table presents details thereof:

Fair value of repurchase agreements	0	4 599 403
Fair value of collateral received	0	4 753 096
Fair value of collateral permitted to sell or repledge at the reporting date	0	4 753 096
Collateral cover	0%	103%
Maturity date		5 Apr 2018

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 a default.

3. Money market investments

	2019 R'000	2018 R'000
Non-interest-bearing Treasury bills	72 585	72 585
Land Bank promissory notes	1 209 665	1 113 208
Negotiable certificates of deposit	2 022 910	1 511 207
Treasury bills	2 112 239	51 686
Commercial project bills	360 691	128 125
	5 778 090	2 876 811
Maturity structure[1] of money market investments		
1 month and less	331 786	272 099
Between 1 and 3 months	2 584 047	1 552 510
Between 3 and 6 months (more than 91 days)	2 862 257	1 052 202
	5 778 090	2 876 811
Investments that meet the definition of financial assets designated at fair value:		
Maximum exposure to credit risk	5 778 090	2 876 811

Non-interest-bearing Treasury bills are funded by non-interest-bearing deposits in terms of an agreement with National Treasury. Money market instruments with a maturity of less than three months from inception are classified as cash and cash equivalents.

4. Short-term deposits

	2019	2018
Fixed deposits at commercial banks	11 000 000	3 000 000
Accrued interest	70 414	29 392
	11 070 414	3 029 392
Maturity structure[1] of short-term deposits		
1 month and less	1 524 302	0
Between 1 and 3 months	9 546 112	3 029 392
	11 070 414	3 029 392

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.

[1]The maturity structure is calculated from the last day of the financial year (31 March 2019) to the maturity date of the financial instrument.

5. Loans and advances

	2019	2018
Interest-bearing loans	17 575 766	17 511 786

These loans are unsecured and, at the reporting date, were 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 7.10% (2018: 6.99%).

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.

6. Deposit accounts

	2019 R'000	2018 R'000
Interest-bearing deposits - IGCC and Other	70 990 302	68 599 011
Interest-bearing deposits - JSE Limited margin	568 662	0
Non-interest-bearing deposits	72 585	72 585
	71 631 549	68 671 596
Maturity structure of deposit accounts		
1 month and less	71 631 549	68 671 596
	71 631 549	68 671 596

Deposit accounts are repayable on demand in terms of section 3.1 of the CPD Act.

In terms of the current interest rate policies as approved by the Board, IGCC and other deposit accounts earn interest at a rate of 10 basis points less than the yield on 91-day Treasury bills, whereas the Electronic Trading Platform (ETP) earns repo rate less 45 basis points. The prevailing rates at the reporting date was 7.00% (2018: 6.89%) and 6.30% (2018: 0%) respectively. Non-interest-bearing deposits fund the non-interest-bearing Treasury bills included in Note 3 on page 21.

7. Surplus due to government

Surplus due to government	41 935	91 195

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 within the next financial year.

8. Share capital

Authorised 2 000 000 (2018: 2 000 000) ordinary shares at R1 each	2 000	2 000
Issued 2 000 000 (2018: 2 000 000) ordinary shares at R1 each	2 000	2 000

9. Interest income

Interest on call and fixed deposits	2 260 184	1 836 858
Interest on money market instruments	183 992	134 334
Interest on loans and advances	2 976 288	3 165 404
Interest on South African government bonds	0	26 562
Discount received	150 337	167 216
	5 570 801	5 330 374

10. Interest expense

Interest on deposit accounts - IGCC and Other	5 464 052	5 232 493
Interest on deposit accounts - JSE Limited margin	12 370	0
Interest on margin call	187	100
Interest on overdraft	150	162
	5 476 759	5 232 755

Interest on deposit accounts is calculated as set out in Note 6 above.

Interest on the overdraft with the SARB 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 6.70% (2018: 6.59%).

11. Operating costs

	2019 R'000	2018 R'000
Audit fees	258	237
Management fee	3 644	3 480
	3 902	3 717

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 generated from operating activities

	2019 R'000	2018 R'000
Profit for the year	92 135	91 395
Adjustments for:		
Interest income	(5 570 801)	(5 330 374)
Interest expense	5 476 759	5 232 755
Unrealised (profit)/loss on investments	(1 995)	1 226
	(3 902)	(4 998)
Changes in working capital:		
(Increase)/decrease in loans and advances	(63 980)	10 084 858
Increase in deposit accounts	2 959 953	2 988 193
	2 892 071	13 068 053

13.2 (Increase)/decrease in money market investments

	2019 R'000	2018 R'000
(Increase)/decrease in money market investments	(2 901 279)	930 582
Adjustment for non-cash item:		
Unrealised profit/(loss) on money market investments	1 995	(1 226)
	(2 899 284)	929 356

13.3 Decrease in South African government bonds

	2019 R'000	2018 R'000
Decrease in South African government bonds	0	391 220
	0	391 220

14. Events after the reporting date

No material events occurred between 31 March 2019 and 15 May 2019 requiring disclosure in, or adjustment to, the annual financial statements for the year ended 31 March 2019.

15. Risk management in respect of financial instruments

Risk governance policies and procedures are performed by the Risk Management and Compliance Department, with oversight performed by the Risk Management Committee and Board Risk and Ethics Committee. Certain aspects of risk management specific to financial instruments are described below.

15.1 Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligations. Credit risk arises from activities of the CPD such as loans and 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 and the minimum credit rating that securities should meet in the Investment Guidelines. The minimum counterparty credit rating for investment in the CPD is a composite rating derived from Standard & Poor's or its Moody's Investors Service and Fitch rating equivalents.

The CPD portfolio had no exposure to a counterparty that was below the minimum rating during the current financial year.

15.2 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.

15.3 Credit risk measurement

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring as well as the associated loss ratios and the default correlations. The CPD measures credit risk using probability of default (PD), exposure at default (EAD) and loss given default (LGD). This is similar to the approach used for the purposes of measuring ECL under *IFRS 9 Financial Instruments*. Refer to Note 15.4.3 for more details.

The CPD uses external credit risk gradings that reflect its assessment of the PD of individual counterparties. The CPD uses rating models tailored to the various categories of a counterparty. Borrower and loan-specific information collected at the time of application (such as level of collateral) is fed into this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers. In addition, the models enable judgement to be fed into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model. The credit grades are calibrated so that the risk of default increases exponentially at each higher risk grade. For example, this means that the difference in the PD between an A and A- rating grade is lower than the difference in the PD between a B and B- rating grade.

15.4 Expected credit loss measurement

IFRS 9 Financial Instruments outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition, as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the CPD.
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Refer to Note 15.4.1 for a description of how the CPD determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Refer to Note 15.4.2 for a description of how the CPD defines credit-impaired and default.

- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECLs that result from default events being possible within the next 12 months. Instruments in stages 2 or 3 have their ECL measured based on ECLs on a lifetime basis. Refer to Note 15.4.3 for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with *IFRS 9 Financial Instruments* is that it should consider forward-looking information. Note 15.4.4 includes an explanation of how the CPD has incorporated this in its ECL models.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

The key judgements and assumptions adopted by the CPD in addressing the requirements of the standard are discussed below:

15.4.1 Significant increase in credit risk

The CPD considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative or qualitative criteria have been met:

Quantitative criteria
A three-notch credit rating movement is used as an indicator as a three-notch rating movement is a guaranteed change in an issuer's creditworthiness along the credit rating scale used by rating agencies. The short-term nature of exposure makes it unlikely that credit risk will move significantly. This is, however, reviewed frequently.

Qualitative criteria
This is used if the borrower is on the watchlist and/or the instrument meets one or more of the following criteria:

- negative outlook by two or more rating agencies in the past six months;
- significant increase in credit spread;
- significant adverse changes in business, financial and/or economic conditions in which the borrower operates;
- actual or expected forbearance or restructuring;
- actual or expected significant adverse change in operating results of the borrower;
- significant change in collateral value (secured facilities only) which is expected to increase the risk of default; and
- early signs of cash flow/liquidity problems such as a delay in the servicing of trade creditors/loans.

The CPD has not used the low credit risk exemption for any financial instruments in the year ended 31 March 2019 (2018: none).

15.4.2 Definition of default and credit-impaired assets

The CPD defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, when it meets one or more of the following criteria:

Quantitative criteria
The borrower is more than 30 days past due on its contractual payments.

Qualitative criteria
The borrower meets the 'unlikeliness to pay' criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- the borrower is in long-term forbearance;
- the borrower is in breach of financial covenant(s), if applicable;
- it is becoming probable that the borrower will enter bankruptcy;
- financial assets are purchased or originated at a deep discount that reflects the incurred credit losses; and
- an active market for that financial asset has disappeared.

The criteria above have been applied to all financial instruments classified at amortised cost held by the CPD and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, EAD and LGD throughout the CPD's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of three months. This period of three months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

15.4.3 Measuring ECL: explanation of inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired.

ECLs are the discounted product of the PD, EAD and LGD, defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per the 'Definition of default and credit-impaired' above), either over the next 12 months (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation.
- EAD is based on the amounts the CPD expects to be owed at the time of default, over the next 12 months (12-month EAD) or over the remaining lifetime (lifetime EAD).
- LGD represents the CPD's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim, and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of EAD. LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months, and lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by instrument.

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. Refer to Note 15.4.4 for an explanation of forward-looking information and its inclusion in ECL calculations. The assumptions underlying the ECL calculation (such as how the maturity profile of the PDs and how collateral values change) are monitored and reviewed periodically.

There were no significant changes in estimation techniques or significant assumptions made during the reporting period.

15.4.4 Forward-looking information incorporated in the ECL models

The current assessment on ECL impairment calculations and the computation of the significant increase in credit risk do not incorporate forward-looking factors due to the structure of the assets, and the undue cost and effort required. Given the short-term nature of the assets, forward-looking factors are expected to have a minor impact on the required impairment. As a result, only a one-notch credit rating downgrade is applied and the corresponding PD as at the reporting date is used for impairment variance due to a decline in credit quality. This approach is deemed to be sufficient by management and is open to review on an annual basis or when there is a change in the maturity structure of the assets. The other motivating factor is driven by the liquidity requirement of the portfolio as the Investment Guidelines state that at least 60% of the investments should mature within three months. Furthermore, the factors that could drive change in this approach could be those driven by certain market or risk events, and these could lead to an incorporation of forward-looking factors which would include the modelling of certain macroeconomic variables.

15.5 Credit risk exposure

15.5.1 Maximum exposure to credit risk: financial instruments subject to impairment

During the year under review, none of the financial instruments were subject to impairment and no ECL allowances were recognised.

15.5.2 Collateral and other credit enhancements

The CPD employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The CPD has internal policies on the acceptability of specific classes of collateral or credit risk mitigation.

The CPD's policies on obtaining collateral have not changed significantly during the reporting period and there has been no significant change in the overall quality of the collateral held by the CPD since the prior period.

15.6 Loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- transfers between stage 1 and stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent 'step up' (or 'step down') between 12-month and lifetime ECL;
- additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period;
- impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- impacts on the measurement of ECL due to changes made to models and assumptions;
- discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis; and
- financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

During the year under review, none of the financial instruments were subject to loss allowances.

15.7 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 bill as determined at the most recent weekly Treasury bill auction.

15.8 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 pays interest to the CPD at a rate equal to 91-day Treasury bills.

The 91-day Treasury bill yield will be applicable if this average 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 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.

Management carefully manages its exposure to credit risk. The credit risk management and control are centralised in a credit risk management team which reports regularly to the Board.

15.9 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 2019 was R47.2 billion (2018: R33.5 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 2019 was R0.8 billion (2018: R7.5 billion), excluding accrued income.

15.10 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 Standard & Poor's and Moody's Investors Service.

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.

15.11 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% 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 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.

15.12 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.

15.13 Sensitivity analysis

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

	Increase in basis points	Sensitivity of net income: increase/ (decrease) R'000	Decrease in basis points	Sensitivity of net income: increase/ (decrease) R'000
2019				
Money market investments	+100	(13 177)	-100	13 202
2018				
Money market investments	+100	(8 360)	-100	8 381

16. Fair value hierarchy disclosures

Fair value hierarchy disclosures

The table below analyses the assets and liabilities of the CPD carried at fair value and amortised cost by the level of the 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 (i.e. unobservable inputs).

The CPD's policy is to recognise transfers into and transfers out of the fair value hierarchy levels as at the date of the event or change in circumstances that caused the transfer. During the year under review, there were no transfers between any of the levels (2018: none).

Financial instruments

2019	Total R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000
Items measured at fair value on a recurring basis				
Financial assets				
Money market investments	5 778 090	0	5 778 090	0
Short-term deposits	11 070 414	11 070 414	0	0
Items measured at amortised cost				
Financial assets				
Cash and cash equivalents	37 418 853	37 418 853	0	0
Loans and advances	17 575 766	0	17 575 766	0
Financial liabilities				
Deposit accounts	71 631 549	0	71 631 549	0
2018				
Items measured at fair value on a recurring basis				
Financial assets				
Money market investments	2 876 811	0	2 876 811	0
South African government bonds	3 029 392	3 029 392	0	0
Items measured at amortised cost				
Financial assets				
Cash and cash equivalents	45 446 802	38 234 246	7 212 556	0
Loans and advances	17 511 786	0	17 511 786	0
Financial liabilities				
Deposit accounts	68 671 596	0	68 671 596	0

17. Gains and losses per category of financial assets and financial liabilities: IFRS 9

	Total	Fair value through profit or loss (Designated)	Amortised cost	Other liabilities
	R'000	R'000	R'000	R'000
2019				
Interest income	5 570 801	583 283	4 987 518	0
Interest expense	(5 476 759)	0	0	(5 476 759)
Unrealised profit on investments	1 995	1 995	0	0
2018				
Interest income	5 330 374	164 424	5 165 950	0
Interest expense	(5 232 755)	0	0	(5 232 755)
Realised loss on investments	(1 281)	(1 281)	0	0
Unrealised loss on investments	(1 226)	(1 226)	0	0

Gains and losses per category of financial assets and financial liabilities: IAS 39

	Total	Designated at fair value	Loans and receivables	Other liabilities
	R'000	R'000	R'000	R'000
2018				
Interest income	5 330 374	164 424	5 165 950	0
Interest expense	(5 232 755)	0	0	(5 232 755)
Realised profit/(loss) on investments	(1 281)	(1 281)	0	0
Unrealised profit on investments	(1 226)	(1 226)	0	0

18. Classification of financial assets and liabilities: IFRS 9

	Carrying amounts				
	Total	Fair value through profit or loss (Designated)	Amortised cost	Other liabilities at amortised cost	Fair value
	R'000	R'000	R'000	R'000	R'000
2019					
Financial assets					
Cash and cash equivalents	37 418 853	0	37 418 853	0	37 418 853
Money market investments	5 778 090	5 778 090	0	0	5 778 090
Short-term deposits	11 070 414	11 070 414	0	0	11 070 414
Loans and advances	17 575 766	0	17 575 766	0	17 575 766
	71 843 123	16 848 504	54 994 619	0	71 843 123
Financial liabilities					
Bank overdraft	17 639	0	0	17 639	17 639
Deposit accounts	71 631 549	0	0	71 631 549	71 631 549
	71 631 549	0	0	71 649 188	71 649 188
2018					
Financial assets					
Cash and cash equivalents	45 446 802	0	45 446 802	0	45 446 802
Money market investments	2 876 811	2 876 811	0	0	2 876 811
Short-term deposits	3 029 392	3 029 392	0	0	3 029 392
Loans and advances	17 511 786	0	17 511 786	0	17 511 786
	68 864 791	5 906 203	62 958 588	0	68 864 791
Financial liabilities					
Deposit accounts	68 671 596	0	0	68 671 596	68 671 596
	68 671 596	0	0	68 671 596	68 671 596

Classification of financial assets and liabilities: IAS 39

	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
2018					
Financial assets					
Cash and cash equivalents	45 446 802	0	45 446 802	0	45 446 802
Money market investments	2 876 811	2 876 811	0	0	2 876 811
Short-term deposits	3 029 392	3 029 392	0	0	3 029 392
Loans and advances	17 511 786	0	17 511 786	0	17 511 786
South African government bonds	68 864 791	5 906 203	62 958 588	0	68 864 791
Financial liabilities					
Deposit accounts	68 671 596	0	0	68 671 596	68 671 596
	68 671 596	0	0	68 689 235	68 689 235

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
South African Reserve Bank Retirement Fund	Retirement fund of holding company
National Treasury	Significant influence
Aaron Daniel Mminele (South African Reserve Bank)	Key management personnel
Leon Reinier Myburgh (South African Reserve Bank)	Key management personnel
Aubrey Mkhulu Maseko (National Treasury)	Key management personnel
Johan Redelinghuys (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 R'000	Interest income R'000	Interest expense R'000	Amounts owed by R'000	Amounts owed to R'000
2019					
South African Reserve Bank	3 644	664 710	150	857 656	0
South African Mint Company (RF) Proprietary Limited	0	0	9 178	0	653 278
South African Bank Note Company (RF) Proprietary Limited	0	0	59 451	0	516 093
South African Reserve Bank Retirement Fund	0	0	743	0	5 575
National Treasury	0	2 976 288	4 232 535	17 575 766	52 482 199
2018					
South African Reserve Bank	3 480	938 898	162	7 536 468	0
South African Mint Company (RF) Proprietary Limited	0	0	6 630	0	94 100
South African Bank Note Company (RF) Proprietary Limited	0	0	55 732	0	197 334
South African Reserve Bank Retirement Fund	0	0	658	0	8 528
National Treasury	0	3 165 404	5 169 473	17 511 786	68 366 183

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
EAD	exposure at default
ECL	expected credit loss
FVOCI	fair value through other comprehensive income
IAS	International Accounting Standard
IASB	International Accounting Standards Board
ISA	International Standards on Auditing
IFRIC	International Financial Reporting Interpretations Committee
IFRSs	International Financial Reporting Standards
IGCC	Inter-Governmental Cash Coordination
LGD	loss given default
Minister	Minister of Finance
PD	probability of default
SARB	South African Reserve Bank
SARB Group	South African Reserve Bank and its subsidiaries
SIC	Standing Interpretation Committee
SPPI	solely payments of principal and interest