CORPORATION FOR PUBLIC DEPOSITS

Annual financial statements
for the year ended
31 March 2024

South African Reserve Bank

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Contents

Produced by the Printing Section
of the South African Reserve Bank

Approval and statement of responsibility

The Board of Directors (Board) of the Corporation for Public Deposits (CPD) is responsible for the maintenance of adequate accounting records and for 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 presentation of the annual financial statements in conformity with the basis of accounting described in Note 1 to the annual financial statements and the requirements of the Corporation for Public Deposits Act 46 of 1984 (CPD Act).

The annual financial statements are prepared in accordance with the reporting framework as set out on page 6 and in the manner required by the CPD Act on the going-concern basis. The Board has every reason to believe that the CPD has adequate resources in place to continue operating for the foreseeable future. The annual financial statements are based on appropriate accounting policies and supported by reasonable and prudent judgements and estimates. The Board is satisfied that the information contained in the annual financial statements presents the results of operations for the current financial year and the financial position of the CPD at the reporting date in conformity with the basis of accounting described in Note 1 to the annual financial statements and the requirements of the CPD Act.

The Board is also responsible for ensuring that adequate systems of internal financial control exist for the CPD. These systems are designed to provide reasonable, not absolute, assurance as to the reliability of the annual 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 Board to indicate that any material breakdown in the functioning of these controls, procedures and systems occurred during the current financial year.

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 the minutes of all meetings of the Board and of the shareholder, being the South African Reserve Bank (SARB). The Board believes 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:

Rashad Cassim

R Cassim
Chairperson

A M Maseko
Director

Pretoria
6 June 2024

Directors' report

for the year ended 31 March 2024

The Board is pleased to present the CPD's 40th annual financial statements.

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, in statutory liquid assets accepted by the SARB as collateral during its refinancing operations, and in securities issued by public entities as governed by the CPD Investment Guidelines. 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 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.

CPD Board of Directors, 2023/24

Director	Position and office	Date of appointment/ reappointment	Alternate director
R Cassim	Deputy Governor of the SARB and Chairperson of the CPD Board	1 July 2022	S Ralebepa
Z Parker	Officer of the SARB	1 August 2019	M Nkuna
A M Maseko	Officer of National Treasury	1 July 2022	Y Sambo
W H Moolman	Officer of National Treasury	6 July 2020	G Mabundza

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 current financial year, 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 the CPD's approved Investment Guidelines.

Directors are not remunerated for services rendered to the CPD.

Attendance schedule for CPD Board of Directors meetings, 2023/24

	11/05/2023	17/08/2023	16/11/2023	23/02/2024
R Cassim	√	√	√	√
Z Parker	√	√	√	√
A M Maseko	√	√	√	√
W H Moolman	√	√	√	√
S Ralebepa	√	√	×	√
M Nkuna	√	√	√	√
G Mabundza	√	√	√	√
Y Sambo	√	×	×	√

√ Attended
× Absent

Accountability

The annual financial statements of the CPD are required to be submitted to the Minister within six months after the end of the financial year, whereafter the Minister tables them in Parliament. The March 2023 annual financial statements were tabled in Parliament on 30 August 2023.

Internal controls

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

Administration and accounting

The CPD is accommodated in the SARB's Head Office in Pretoria 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 (FSD) while the investment of funds is the responsibility of the Financial Markets Department (FMD), both of which are departments of the SARB. These arrangements are 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. An amount of R843 million (2023: Rnil) was transferred to the contingency reserve in the current financial year. Movements in the contingency reserve are set out in the 'Statement of changes in equity' on page 11 of these annual financial statements.

Financial results and performance

The financial results and performance of the CPD are set out in the annual financial statements. The total comprehensive income for the current financial year amounted to R929 million (2023: R537 million). There were no surplus funds available for transfer to government (2023: Rnil).

Share capital

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

Dividend

As per paragraph 3(c) of the CPD Act, the CPD has the power to pay the shareholder (being the SARB), from its annual net profits, a dividend on its paid-up capital. The CPD did not declare a dividend in the current financial year (2023: Rnil).

Going concern and events after the reporting date

In the prior year, the CPD's total liabilities exceeded its total assets by R84 million, resulting in the CPD being technically insolvent.The CPD has, however, recovered from technical insolvency in the current year, with a positive equity position of R845 million. Due to the prior technical insolvency of the CPD, the SARB had issued a guarantee of R800 million in favour of the CPD for financial support. However since the CPD has recovered from technical insolvency, the guarantee expiring in June 2024 will not be renewed.

Secretary

N Semetse

Registered office

South African Reserve Bank
370 Helen Joseph Street
Pretoria
0002
Republic of South Africa

Reporting framework

The annual financial statements have been prepared in accordance with the CPD Act and the accounting policies set out in Note 1.

The CPD has chosen to use International Financial Reporting Standards (IFRS) as a guide in deciding on the most appropriate accounting policies to adopt, and as a model for the presentation and disclosure framework followed in its annual financial statements. However, due to the sensitivity around certain IFRS disclosures and as a result of the CPD being a wholly owned subsidiary of the SARB, the CPD considers certain IFRS disclosures to be inappropriate for its functions. The CPD's annual financial statements therefore disclose less detail than would be required under IFRS.

The significant departures from IFRS as a consequence of the above are summarised as follows:

Presentation

In the annual financial statements, not all the information required by IFRS 7: Financial Instruments Disclosures is disclosed. This relates specifically to:

- market risk: the sensitivity analysis for each type of market risk to which the CPD is exposed at the reporting date, showing how profit or loss would have been affected by any changes in the relevant risk variables that were reasonably possible at that date; and
- credit risk: the credit quality per counterparty (issuer) and instrument class, the historical information about the counterparty default rates, and a breakdown of instruments per counterparty.

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

Opinion

We have audited the financial statements of the Corporation for Public Deposits (CPD) set out on pages 10 to 31, which comprise the statement of financial position as at 31 March 2024, 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements of the CPD for the year ended 31 March 2024 are prepared, in all material respects, in accordance with the basis of accounting described in Note 1 to the financial statements and the requirements of the Corporation for Public Deposits Act 46 of 1984.

Basis for opinion

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

Emphasis of matter - Basis of accounting

We draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the CPD's own accounting policies to satisfy the financial information needs of the CPD's shareholder. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Victor Sekese [Chief Executive]

A comprehensive list of all Directors is available at the company offices or registered office

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Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled 'Corporation for Public Deposits Annual financial statements for the year ended 31 March 2024', which includes the Directors' report. The 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, 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 of the financial statements in accordance with the basis of accounting described in Note 1 to the financial statements and the requirements of the Corporation for Public Deposits Act 46 of 1984, for determining that the basis of preparation is acceptable in the circumstances and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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.

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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.

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

12 June 2024

Building 4, Summit Place Office Park,
221 Garstfontein Road, Menlyn, 0081

Statement of financial position

as at 31 March 2024

	Notes	2024 R'000	2023 R'000
Assets			
Cash and cash equivalents	2	89 341 714	67 188 370
Money market investments	3	4 483 677	2 941 454
Short-term deposits	4	19 152 518	38 364 318
Total assets		112 977 909	108 494 142
Liabilities			
Bank overdrafts	2	763 053	0
Deposit accounts	5	110 842 899	107 894 697
Other liabilities	6	526 606	683 556
Total liabilities		112 132 558	108 578 253
Capital and reserves			
Share capital	7	2 000	2 000
Contingency reserve		843 351	0
Accumulated loss		0	(86 111)
Total capital and reserves		845 351	(84 111)
Total liabilities, capital and reserves		112 977 909	108 494 142

Statement of profit or loss and other comprehensive income

for the year ended 31 March 2024

Interest income	8	11 652 462	7 812 802
Interest expense	9	(11 269 576)	(7 595 999)
Net interest income		382 886	216 803
Unrealised gains on money market investments		223 161	303 195
Credit impairment loss reversal	14.5.2	329 295	22 078
Profit before operating costs		935 342	542 076
Operating costs	10	(5 880)	(5 319)
Net profit for the year		929 462	536 757
Taxation	11	0	0
Total comprehensive income for the year		929 462	536 757

Statement of changes in equity

for the year ended 31 March 2024

	Share capital	Accumulated profit	Contingency reserve	Total
	R'000	R'000	R'000	R'000
Balance at 31 March 2022	2 000	(622 868)	0	(620 868)
Total comprehensive income for the year	0	536 757	0	536 757
Balance at 31 March 2023	2 000	(86 111)	0	(84 111)
Total comprehensive income for the year	0	929 462	0	929 462
Transfer to reserves	0	(843 351)	843 351	0
Balance at 31 March 2024	2 000	0	843 351	845 351

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. An amount of R843 million (2023: Rnil) was transferred to the contingency reserve in the current financial year

Dividends paid

As per paragraph 3(c) of the CPD Act, the CPD has the power to pay the shareholder (being the SARB), from its annual net profits, a dividend on its paid-up capital. The CPD did not declare a dividend in the current financial year (2023: Rnil) as it had not achieved a targeted minimum contingency reserve.

Transfer to government

In terms of section 15 of the CPD Act, the surplus remaining after transfers to reserves and the declaration of dividends has to be paid to government. For the year ended 31 March 2024, no amount (2023: Rnil) was due to government

Statement of cash flows

for the year ended 31 March 2024

	Notes	2024 R'000	2023 R'000
Cash flows generated from/(utilised in) operating activities			
Cash generated from/(utilised in) operating activities	12.1	21 007 405	(19 715 356)
Interest received		11 652 462	7 812 802
Interest paid		(11 269 576)	(7 595 999)
Net cash flows generated from/(utilised in) operating activities		21 390 291	(19 498 553)
Net increase/(decrease) in cash and cash equivalents		21 390 291	(19 498 553)
Cash and cash equivalents at the beginning of the year		67 188 370	86 686 923
Cash and cash equivalents at the end of the year	2	88 578 661	67 188 370

Notes to the annual financial statements

for the year ended 31 March 2024

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. On an annual basis, the CPD is required to raise an expected credit loss (ECL) allowance in accordance with IFRS 9: Financial Instruments. Owing to the sensitivity around the disclosure and as a result of the CPD being a wholly owned subsidiary of the SARB, the decision to align the reporting framework to that of the SARB has become a requirement. Refer to page 6 for the reporting framework.

1.1 Basis of preparation

These accounting policies should be read together with the reporting framework on page 6. These annual financial statements have been prepared on a going-concern basis, in accordance with the CPD Act and the accounting policies set out in this note. These annual financial statements have also 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 annual financial statements requires the use of certain key 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 by order of liquidity, in South African rand, which is the functional currency of the CPD, and the amounts are rounded to the nearest thousand unless otherwise stated.

1.2 New standards and interpretations

1.2.1 New and amended standards adopted by the CPD

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

- *Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of accounting policies*

International Accounting Standard (IAS) 1 was amended to require that only material accounting policy information be disclosed in the annual financial statements. The amendment will not result in any changes to the measurement or recognition of financial statement items, but management will review the accounting policies to ensure that only material accounting policy information is disclosed. The effective date of the amendment is for the years beginning on or after 1 January 2023. The CPD adopted the amendment for the first time in its 2024 annual financial statements, and the impact of the amendment is not material.

- *Amendments to IAS 8: Definition of accounting estimates*

The definition of accounting estimates was amended so that accounting estimates are now defined as 'monetary amounts in [the] annual financial statements that are subject to measurement uncertainty'. The effective date of the amendment is for years beginning on or after 1 January 2023. The CPD adopted the amendment for the first time in its 2024 annual financial statements, and the impact of the amendment is not material.

1.2.2 New standards, amendments and interpretations not yet adopted by the CPD

Several new standards, amendments and interpretations are effective for annual periods beginning on or after 1 January 2024. They have not been adopted in preparing these annual financial statements. The CPD will adopt these amendments in the relevant financial year in which they become effective. These are as follows:

- *Amendment to IAS 1: Classification of liabilities as current or non-current*

The amendment clarifies the requirement to classify a liability as either current or non-current. If an entity has the right, at the end of the reporting period, to defer the settlement of a liability for at least 12 months after the reporting period, then the liability is classified as non-current. If this right is subject to conditions imposed on the entity, then the right only exists if, at the end of the reporting period, the entity has complied with those conditions. In addition, the classification is not affected by the likelihood that the entity will exercise its right to defer settlement. Therefore, if the right exists, the liability is classified as non-current even if management intends or expects to settle the liability within 12 months of the reporting period. Additional disclosures would be required in such circumstances. The effective date of the amendment is for years beginning on or after 1 January 2024. It is unlikely that the amendment will have a material impact on the CPD's annual financial statements.

• *Amendments to IAS 1: Non-current liabilities with covenants*

The amendment improves the information that an entity provides when its right to defer settlement of a liability for at least 12 months is subject to compliance with covenants. The amendment also provides guidance on when to classify liabilities arising from covenants as current or non-current. Additional disclosures will be required in the notes to the annual financial statements if an entity classifies liabilities arising from covenants as non-current. The effective date of the amendment is for years beginning on or after 1 January 2024. It is unlikely that the amendment will have a material impact on the CPD's annual financial statements.

• *Amendments to IFRS 16: Lease liability in a sale and leaseback*

The amendment requires that a seller-lessee in a sale and leaseback transaction determine the 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The effective date of the amendment is for the years beginning on or after 1 January 2024. It is unlikely that the amendment will have a material impact on the CPD's annual financial statements.

• *Amendments to IAS 7 and IFRS 7: Disclosures: Supplier finance arrangements*

The amendment applies to circumstances where supplier finance arrangements exist. These are arrangements where finance providers pay the suppliers of the entity, thus providing the entity with extended payment terms or the suppliers with early payment terms. The entity then pays the finance providers based on their specific terms and conditions. The amendment requires the disclosure of information about supplier finance arrangements that enables users of annual financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows as well as on the entity's exposure to liquidity risk. The effective date of the amendment is for years beginning on or after 1 January 2024. It is unlikely that the amendment will have a material impact on the CPD's annual financial statements.

• *Amendments to IAS 21: Lack of exchangeability*

The amendments apply to currencies which are not exchangeable. The definition of exchangeable is provided as being when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. The amendments require an entity to estimate the spot exchange rate at a measurement date when a currency is not exchangeable into another currency. Additional disclosures are also required to enable users of annual financial statements to understand the impact of non-exchangeability on financial performance, financial position and cash flows. The effective date of the amendments is for years beginning on or after 1 January 2025. It is unlikely that the amendments will have a material impact on the CPD's annual financial statements.

There are no other IFRS or International Financial Reporting Interpretations Committee interpretations that are not yet effective and that would be expected to have a material impact on the CPD.

1.3 Financial instruments

1.3.1 Financial assets

1.3.1.1 Classification

The CPD applies 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 in determining the category which best applies to the financial instruments that the CPD holds and/or trades. Under the business model test, the CPD determines the objective for which it holds financial instruments (i.e. it holds the financial asset to collect contractual cash flows rather than selling 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 were 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 is performed before the SPPI test.

Under the SPPI test, the CPD 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 time, the value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement).

Management determines the classification of financial assets at initial recognition. The CPD reclassifies debt instruments when, and only when, its business model for managing these 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 the principles contained in the Investment Guidelines of the CPD to determine the number of days used to classify cash and cash equivalents as well as short-term investments, and to determine the maturity structure of the financial assets in the annual financial statements. Instruments with maturities of three months and less at inception are classified as cash and cash equivalents, and instruments with maturities of more than three months are classified as short-term investments. These principles align the classification with the definition of cash and cash equivalents in *IAS 7: Statement of cash flows*.

Immediately after initial recognition, an ECL allowance is recognised for financial assets measured at amortised cost, as disclosed in Note 14.4, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

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 recognition of the deferred day-one profit or loss is determined individually. It is 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 which are held for the collection of contractual cash flows where those cash flows represent SPPI, and which 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 which is recognised and measured, as disclosed in Note 14.4. Interest income is calculated using the effective interest method and is recognised in profit or loss.

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

- cash and cash equivalents;
- money market investments;
- short-term deposits; and
- loans and advances.

Cash and cash equivalents

Cash and cash equivalents at amortised cost comprise deposits with banks and other short-term highly liquid money market investments with original maturities of three months or less (91 days or 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 as a 91-day investment. For the purposes of the statement of cash flows, cash and cash equivalents, as defined under this paragraph, are net of any bank overdrafts (if any).

The objective of the CPD's business model is to hold cash and cash equivalents to collect contractual cash flows rather than to sell the instruments to realise fair-value changes. Cash is primarily held to facilitate operating activities. On specified dates, the contractual terms of cash and cash equivalents give rise to cash flows which are SPPI on the principal amount outstanding.

Money market investments

This portfolio consists of commercial project bills, Treasury bills, other discount instruments, negotiable certificates of deposit (NCDs) and bridging bonds which are highly liquid.

The objective of the CPD's business model for this portfolio is to invest in money market instruments in accordance with the CPD's Investment Guidelines based on the assessed liquidity required. The money market instruments are held to collect contractual cash flows rather than to sell the instruments to realise fair-value changes. On specified dates, the contractual terms of money market investments give rise to cash flows which are SPPI on the principal amount outstanding.

Short-term deposits

This portfolio consists of fixed deposits with commercial banks. Instruments with original maturities of three months and less at inception are classified as cash and cash equivalents; instruments with original maturities of more than three months are classified as investments.

The objective of the CPD's business model for this portfolio is to invest in short-term deposits in accordance with the CPD's Investment Guidelines based on the assessed liquidity required. The short-term deposits are held to collect contractual cash flows. On specified dates, the contractual terms of short-term deposits give rise to cash flows which are SPPI.

Loans and advances

Loans and advances 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 for this portfolio is to hold the loans and advances to collect contractual cash flows. On specified dates, the contractual terms of loans and advances give rise to cash flows which are SPPI.

Fair value through profit or loss

Positive derivatives and assets which do not meet the criteria for amortised cost are measured at fair value through profit or loss. Assets are designated at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency. A gain or 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 are subsequently measured at fair value through profit or loss:

- Money market investments

  This portfolio consists of promissory notes (PNs) which are highly liquid. PNs are actively managed on a fair-value basis and are reported as such to management. The strategy of the CPD is to maximise the returns on its investment portfolio.

1.3.1.2 Measurement

Initial measurement

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

The 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.

Subsequent measurement

The amortised cost of financial assets classified as being measured at amortised cost is calculated 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 the financial assets. The fair value of financial assets classified at 'fair value through profit or loss' is determined in accordance with *IFRS 13: Fair Value Measurement*, with any changes in fair value recognised in profit or loss.

1.3.1.3 Recognition and derecognition

Financial assets are recognised when the CPD becomes party to the contractual provisions of the instruments. The purchases and sales of financial assets entered into during the normal course of business 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 any 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 substantially transferred all risks and rewards of ownership.

1.3.1.4 Impairment of financial assets

The CPD applies I*FRS 9: Financial Instruments* and assesses, on a forward-looking basis, the ECL associated with its debt instruments carried at amortised cost and with the exposure arising from loan commitments and 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.

Refer to Note 14.4 for further detail on the measurement of the ECL allowance.

1.3.2 Financial liabilities

1.3.2.1 Classification

The CPD applies *IFRS 9: Financial Instruments* and classifies its financial liabilities at amortised cost.

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

Amortised cost

The following liabilities have been classified as financial liabilities at amortised cos':

- 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 (refer to Note 1.3.4).

Financial liabilities are measured at amortised cost, which approximates fair value.

The CPD classifies all its financial liabilities as subsequently measured at amortised cost, and they are reported as such to management.

1.3.2.2 Measurement

Initial measurement

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

Subsequent measurement

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. The carrying amount represents its fair value.

1.3.2.3 Recognition and derecognition

The CPD recognises financial liabilities when it becomes a party to the contractual provisions of the instruments.

The CPD derecognises financial liabilities when, and only when, the CPD's obligations are discharged, 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.

1.3.3 Fair value

Fair values are determined according to the hierarchy in *IFRS 13: Fair Value Measurement*, as set out in Note 15 to the annual 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 values. Non-interest-bearing Treasury bills are stated at nominal value since they do not have fixed maturity dates.
- Short-term deposits are measured at amortised cost, which approximates fair values.
- Loans and advances as well as non-trading liabilities are measured at amortised cost, which approximates fair values.

1.3.4 Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate which exactly discounts estimated future cash flows (excluding ECL but including all fees on points paid or received which 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 originated 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 which incorporates the impact of ECL in estimated future cash flows.

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

1.3.5 Offsetting

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position, where there is a legally enforceable right to 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*, the annual 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 holding company, fellow subsidiaries and members of management who hold positions of responsibility within the CPD, including those charged with governance in accordance with legislation, National Treasury as well as members of management who are responsible for the strategic direction and operational management of the CPD and are entrusted with significant authority. Directors or alternate directors shall receive no remuneration or allowances in respect of their services as directors. However, the Board may, at its discretion, compensate directors for actual expenses incurred by them with respect to their functions as directors. Their responsibilities, however, may enable them to influence the benefits of office that flow to them and their related parties or the parties they represent on the governing body.

1.5 Share capital

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

1.6 Interest income and expense recognition

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

1.7 Fair value

The fair value is the price that would be received to sell an asset or that would be 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 non-financial instruments takes into account a market participant's ability to generate economic benefits by using the instruments in their highest and best use or by selling them to another market participant that would use the instruments in their highest and best use.

Fair values are determined according to the fair-value hierarchy in *IFRS 13: Fair Value Measurement*. Refer to Note 15 for further details.

1.8 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 financial year.

The preparation of annual financial statements in conformity with IFRS 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 the ECL allowance

The measurement of the ECL allowance for financial assets measured at amortised cost 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 the ECL is detailed in Note 14.4.3, which also sets out the 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 the ECL, such as:

- determining the criteria for a significant increase in credit risk;
- choosing appropriate models and assumptions for the measurement of the 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 the ECL.

Refer to Note 14 for further detailed information about the judgements and estimates made by the CPD in the above areas.

2. Cash and cash equivalents

	2024 R'000	2023 R'000
Current account with the SARB	0	22 626
Call deposit with the SARB	28 268 541	25 231 284
Short-term deposits at commercial banks	46 711 257	25 462 769
Money market investments	14 361 916	16 471 691
	89 341 714	67 188 370
Cash and cash equivalents include the following for the purposes of the statement of cash flows:		
Cash and cash equivalents	89 341 714	67 188 370
Overdraft with the SARB	(763 053)	0
	88 578 661	67 188 370

As per the accounting policy, instruments with original maturities of three months and less are classified as cash and cash equivalents. The call deposit with the SARB earns interest at a rate equal to repo plus 10 basis points. The short-term deposits at commercial banks earn interest at market-related rates.

Money market investments represent repurchase agreements of R14.4 billion (2023: R16.5 billion). The following table presents details of repurchase agreements:

Fair value of repurchase agreements	14 361 916	16 471 691
Fair value of collateral received	14 409 494	16 480 179
Fair value of collateral permitted to sell or repledge at the reporting date	14 409 494	16 480 179
Collateral cover	100%	100%
Maturity date	4 April 2024	7 April 2023

At the reporting date, none of the collateralised money market investments were past due or impaired.

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

Non-interest-bearing Treasury bills	72 585	72 585
Promissory notes	350 525	305 538
Negotiable certificates of deposit	4 060 567	2 563 331
	4 483 677	2 941 454
Maturity structure of money market investments[1]		
1 month and less	423 110	1 928 911
Between 1 and 3 months	2 036 343	1 012 543
Between 3 and 6 months	2 024 224	0
	4 483 677	2 941 454
Maximum exposure to credit risk	4 483 677	2 941 454

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.

[1] The maturity structure is calculated from the last day of the financial year to the maturity date of the financial instrument.

4. Short-term deposits

	2024 R'000	2023 R'000
Fixed deposits at commercial banks	19 152 518	38 364 318
	19 152 518	38 364 318
Maturity structure of short-term deposits[2]		
1 month and less	2 042 288	20 198 802
Between 1 and 3 months	17 110 230	11 125 721
More than 3 months (more than 91 days)	0	7 039 795
	19 152 518	38 364 318

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.

[2] The maturity structure is calculated from the last day of the financial year (31 March 2024) to the maturity date of the financial instrument. The short-term deposits had a maturity of greater than three months from inception on initial recognition.

5. Deposit accounts

	2024 R'000	2023 R'000
Interest-bearing deposits: IGCC and other deposit accounts	110 065 324	106 804 978
Interest-bearing deposits: ETP (JSE Limited margin)	704 990	1 017 134
Non-interest-bearing deposits	72 585	72 585
	110 842 899	107 894 697
Maturity structure of deposit accounts		
1 month and less	110 842 899	107 894 697

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

In terms of the current interest rate policies approved by the Board, the Inter-Governmental Cash Coordination (IGCC) pool of funds and other deposit accounts earn interest at the repurchase (repo) rate (2023: repo rate plus 15 basis points). The prevailing rate at the reporting date for the IGCC pool of funds and other deposits was 8.25% (2023: 7.90%).

Margin call deposits, held on behalf of participants of the JSE Limited Bond Electronic Trading Platform (ETP), earn interest at the repo rate (2023: repo rate less 15 basis points). The CPD does not trade on the ETP but rather holds the deposits for participants of the platform. The prevailing rate at the reporting date for ETP margin call deposits was 8.25% (2023: 7.60%).

Non-interest-bearing deposits fund the non-interest-bearing Treasury bills in Note 3.

6. Other liabilities

	2024 R'000	2023 R'000
Cash received margin call	169 235	0
Interest accrued margin call	1 076	0
Sundry creditors	2 034	0
ECL allowance[3]	354 261	683 556
	526 606	683 556

Loans are advanced as part of national government's 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 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.

The CPD and the SARB concluded updated IGCC legal agreements with National Treasury and the provincial treasuries effective of 31 March 2024. The updated agreements clarify repayment terms for the facility and outlines the procedures in the event of default. The agreement further clarifies that the CPD and SARB are administrative parties in the IGCC arrangement and will not liable for any losses on the facility. As a result, the ECL allowance for the current financial year excludes amounts attributable to the provincial treasuries. Refer to Note 14.5.2. for the movement in the ECL allowance. The legal agreement relating to state owned entities are in the process of being updated and were not finalised by 31 March 2024.

[3] The ECL allowance considers forward-looking information and is calculated for both the drawn and the undrawn portions of the IGCC facility. Refer to Note 6 for the ECL allowance for the current financial year.

7. Share capital

	2024 R'000	2023 R'000
Authorised 2 000 000 (2023: 2 000 000) ordinary shares at R1 each	2 000	2 000
Issued 2 000 000 (2023: 2 000 000) ordinary shares at R1 each	2 000	2 000

8. Interest income

Interest on call and fixed deposits	9 281 800	6 628 206
Interest on money market instruments	1 969 709	1 177 338
Interest on loans and advances	400 953	7 258
	11 652 462	7 812 802

9. Interest expense

Interest on deposit accounts: IGCC and other deposit accounts	11 177 679	7 534 038
Interest on deposit accounts: ETP (JSE Limited margin)	74 317	54 602
Interest on margin call	6 885	3 240
Interest on overdraft	10 695	4 119
	11 269 576	7 595 999

Refer to Note 5 for further details on the interest rates for deposit accounts.

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 8.18% (2023: 7.58%).

10. Operating costs

Audit fees	1 244	996
Management fees	4 636	4 323
	5 880	5 319

11. Taxation

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

12. Notes to the statement of cash flows

12.1 Cash generated from/(utilised in) operating activities

	2024 R'000	2023 R'000
Net profit for the year	929 462	536 757
Adjustments for:		
Interest income	(11 652 462)	(7 812 802)
Interest expense	11 269 576	7 595 999
Unrealised gains on money market investments	(223 161)	(303 195)
Credit impairment loss reversal	(329 295)	(22 078)
	(5 880)	(5 319)
Changes in operating assets and liabilities:		
Loans and advances	0	714 244
Money market investments	(1 319 062)	(2 388 899)
Short-term deposits	19 211 800	(33 301 845)
Deposit accounts	2 948 202	15 266 623
Other liabilities	172 345	(160)
	21 007 405	(19 715 356)

13. Going concern

In the prior year, the CPD's total liabilities exceeded its total assets by R84 million, resulting in the CPD being technically insolvent.The CPD has, however, recovered from technical insolvency in the current year, with a positive equity position of R845 million. Due to the prior technical insolvency of the CPD, the SARB had issued a guarantee of R800 million in favour of the CPD for financial support. However since the CPD has recovered from technical insolvency, the guarantee expiring in June 2024, will not be renewed.

14. Risk management in respect of financial instruments

Risk governance policies and procedures are performed by the RMCD of the SARB, with oversight by the Risk Management Committee (RMC) and the Board Risk and Ethics Committee (BREC). Certain aspects of risk management specific to financial instruments are described below.

14.1 Credit and compliance 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 the 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, the minimum credit ratings for securities as well as sector concentration limits in the Investment Guidelines. The minimum counterparty credit rating for investment is a composite rating derived from Standard & Poor's (S&P), Moody's Investors Service (Moody's) and Fitch Ratings (Fitch). Following the annual review, there were no amendments to the CPD's Investment Guidelines.

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

14.2 Interest rate management

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

14.3 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, 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 further details.

The CPD uses external credit risk ratings that reflect its assessment of the PD of individual counterparties. The CPD uses rating models tailored to the various categories of counterparty. Borrower- and loan-specific information collected at the time of application (such as the 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 otherwise 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.

14.4 ECL 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. Its credit risk is 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 14.4.1 for a description of how the CPD determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, it moves to Stage 3. Refer to Note 14.4.2 for a description of how the CPD defines 'default' and 'credit-impaired'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECLs that result from default events possible within the next 12 months. Instruments in stages 2 or 3 have their ECL measured based on a lifetime basis. Refer to Note 14.4.3 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 14.4.4 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:

14.4.1 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
These are used if the borrower is on a watchlist and/or if the financial instrument meets one or more of the following criteria:

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

The CPD did not use the low credit risk exemption for any financial instruments in the current or prior year.

14.4.2 Definition of 'default' and credit-impaired assets

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

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

Qualitative criteria
The borrower meets the 'unlikely to pay' criteria, which indicates that 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 listed above have been applied to all the 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 ECL calculations.

A financial 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 was determined based on an analysis which considered the likelihood of a financial instrument returning to a default status after 'cure' using different possible 'cure' definitions.

14.4.3 Measuring ECL: an explanation of inputs, assumptions and estimation techniques

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

Based on the SARB's SICR criteria, the CPD's exposure has been assessed as being in Stage 2. The impairment is thus measured based on lifetime ECLs.

A Monte Carlo simulation model has been used to calculate the ECL. This approach applies loss distributions based on certain assumptions in the model. The distribution of possible losses given variation in said assumptions can be assessed using this model. The ECL calculation using this approach is based on the following key components:

PD

This is an estimate of the likelihood of default over a given time horizon. A PD curve was obtained from a default study prepared by a rating agency and adjusted for recent trends.

EAD

This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest as well as expected drawdowns on committed facilities.

The exposure on the CPD loan facility has been calculated with reference to the history of the facility and expected utilisation levels in the event of financial distress, weighted for different scenarios of utilisation.

LGD

This is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD.

A benchmark LGD for large unsecured corporate facilities has been applied as a proxy, adjusted to allow for an increase in discount rates.

Discount rate

This is used to discount the expected loss to a present value at the reporting date using the effective interest rate (EIR) at initial recognition. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.

The discount rate has been determined using the government bond yield as a proxy for the Treasury bill rates.

Assigned term

The CPD loan facility is a revolving credit facility and thus there is no defined contractual period.

Although there are no similar financial instruments in the South African market to compare this instrument to, there are similar instruments in countries with a similar risk profile. Therefore, sovereign defaults from these countries have been used as an approximation for the time taken to default. The following assumptions have been used:

- Only sovereigns that have defaulted were considered.
- Only first-time defaults were considered.
- A significant increase in credit risk would be the movement into a Ba (Moody's) or BB (S&P or Fitch) rating from a Baa (Moody's) or BBB (S&P or Fitch) rating prior to default.

Forward-looking economic information is also included in determining the EAD, LGD and PD. 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 PDs and collateral values change) are monitored and reviewed periodically.

14.4.4 Forward-looking information incorporated in ECL models

Forward-looking information is incorporated into each of the model's scenarios (i.e. the base, upside and downside scenarios).

Periodically, stress testing is carried out for more extreme shocks to calibrate the determination of the upside and downside representative scenarios. A comprehensive review is performed at least annually on the design of the scenarios by a panel of experts that advises senior management.

14.5 Credit risk exposure

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

The table in 14.5.2 contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised.

The CPD writes off financial assets when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Indicators thereof include the ceasing of enforcement activity and instances where the collateral value indicates that there is no reasonable expectation of recovery.

14.5.2 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 in place on the acceptability of specific classes of collateral or credit risk mitigation.

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

The closing balance of the credit-impaired loss allowance as at 31 March 2024 is reconciled as follows:

Opening loss allowance as at 1 April 2022	705 634
Loss allowance reversed during the year	(22 078)
Loss allowance as at 31 March 2023	683 556
Loss allowance reversed during the year	(329 295)
Loss allowance as at 31 March 2024	354 261

2024	Stage 1 lifetime ECLs R'000	Stage 2 lifetime ECLs R'000	Stage 3 lifetime ECLs R'000	Purchased credit-impaired R'000	Total R'000
Loss allowance as at 1 April 2023	0	683 556	0	0	683 556
Loss allowance reversal during the year	0	(329 295)	0		(329 295)
	0	354 261	0	0	354 261
2023					
Loss allowance as at 1 April 2022	0	705 634	0	0	705 634
Loss allowance reversal during the year	0	(22 078)	0	0	(22 078)
	0	683 556	0	0	683 556

14.6 Loss allowance

The loss allowance recognised in the current financial year is impacted by a variety of factors, namely:

- the impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from the regular refreshing of inputs to models;
- the impact on the measurement of ECL due to changes made to models and assumptions;
- discounted unwinding within the ECL due to the passage of time, as ECL is measured on a present-value basis; and
- updated IGCC legal agreements. Refer to Note 6.

14.7 Deposit accounts

In terms of the current interest rate policies, as approved by the Board, the IGCC pool of funds, ETP margin call deposits and other deposit accounts earn interest at the repo rate.

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

Interest-bearing deposits are invested in call and fixed deposits as well as other money market investments and South African government bonds at market-related yields.

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 the repo rate *plus* 10 basis points.

The CPD's financial assets and financial liabilities respectively 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.

CPD's management carefully manages its exposure to credit risk. Credit risk management and control are centralised in a credit risk management team that reports regularly to the Board.

14.9 Call and fixed deposits

The CPD invests in banks that have capital and reserves in excess of R2.0 billion, and limits its exposure to 35% of capital and reserves per bank. The total exposure to call and fixed deposits at commercial banks as at 31 March 2024 was R65.2 billion (2023: R62.8 billion), excluding accrued income. The CPD also places call deposits with the SARB. The total exposure to call deposits at the SARB as at 31 March 2024 was R28.1 billion (2023: R25.0 billion), excluding accrued income.

14.10 Money market instruments, including cash and cash equivalents

The CPD may have significant investment exposure to other money market instruments such as PNs and NCDs. Where applicable, the exposure to these instruments is subject to, and forms part of, the investment limits allocated to the type of issuer, as per the Investment Guidelines.

In terms of the Investment Guidelines approved by the Board, all investments are placed within the minimum national scale rating (NSR). The CPD utilises banking institutions with a minimum composite NSR that is not below NSR 'A' (excluding 'A-').

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.

14.11 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 'next 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. Refer to notes 2, 3 and 4 for further details on the maturity structure of investments as at 31 March 2024.

As part of the IGCC arrangement, national and provincial treasuries may call, on demand, an amount of R91.1 billion (2023: R88.5 billion) from the IGCC pool of funds, limited to the IGCC deposits which fluctuate on a daily basis. Refer to Note 5 for more information on the IGCC arrangement.

14.12 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 and South African government bonds in the secondary market and with the SARB. The FMD of the SARB is responsible for investing the funds deposited with the CPD according to the Investment Guidelines approved by the Board. FMD 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. The Board has the authority to adjust the interest rate payable to depositors to maintain the desired results.

15. Fair-value hierarchy disclosures

The table below analyses the assets and liabilities of the CPD carried at fair value and the amortised cost by 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 specific instruments. The different levels are defined as follows:

Level 1: The fair value is based on the 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: The fair value is based on input other than the 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: The fair value is based on input for the asset or liability that is not based on observable market data (i.e. unobservable inputs).

The fair value of financial instruments that are not traded in an active market (e.g. over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all the significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2.

The specific valuation techniques used to value financial instruments include the following:

- Dealer quotes are used to value items included in cash and cash equivalents, loans and advances, and liabilities held.
- The fair value of money market instruments is calculated as the present value of the estimated future cash flows based on observable 91-day Treasury bill yields.
- The fair value of short-term deposits is calculated as the present value of the estimated future cash flows based on observable 91-day Treasury bill yields.

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 current financial year, there were no transfers between the levels.

Financial instruments

2024	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	350 525	0	350 525	0
Items measured at amortised cost				
Financial assets				
Cash and cash equivalents	89 341 714	0	89 341 714	0
Money market investments	4 133 152	0	4 133 152	0
Short-term deposits	19 152 518	0	19 152 518	0
Financial liabilities				
Bank overdraft	763 053	0	763 053	0
Deposit accounts	110 842 899	0	110 842 899	0
Other liabilities	172 345	0	172 345	0
2023				
Items measured at fair value on a recurring basis				
Financial assets				
Money market investments	305 538	0	305 538	0
Items measured at amortised cost				
Financial assets				
Cash and cash equivalents	67 188 370	0	67 188 370	0
Money market investments	2 635 916	0	2 635 916	0
Short-term deposits	38 364 318	0	38 364 318	0
Financial liabilities				
Deposit accounts	107 894 697	0	107 894 697	0

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

	Total	Fair value through profit or loss (mandatory)	Amortised cost
	R'000	R'000	R'000
2024			
Interest income	11 652 462	65 335	11 587 127
Interest expense	(11 269 576)	0	(11 269 576)
Unrealised gain on investments	223 161	223 161	0
2023			
Interest income	7 812 802	65 592	7 747 210
Interest expense	(7 595 999)	0	(7 595 999)
Unrealised gain on investments	303 195	303 195	0

17. Classification of financial assets and liabilities

	Carrying amounts		
	Total	Fair value through profit or loss (mandatory)	Amortised cost
	R'000	R'000	R'000
2024			
Financial assets			
Cash and cash equivalents	89 341 714	0	89 341 714
Money market investments	4 483 677	350 525	4 133 152
Short-term deposits	19 152 518	0	19 152 518
Financial liabilities			
Bank overdraft	763 053	0	763 053
Deposit accounts	110 842 899	0	110 842 899
Other liabilities	172 345	0	172 345
2023			
Financial assets			
Cash and cash equivalents	67 188 370	0	67 188 370
Money market investments	2 941 454	305 538	2 635 916
Short-term deposits	38 364 318	0	38 364 318
Financial liabilities			
Deposit accounts	107 894 697	0	107 894 697

18. Related-party disclosures

Name	Relationship
South African Reserve Bank	Holding company Key management personnel 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
R Cassim (South African Reserve Bank)	Key management personnel
Z Parker (South African Reserve Bank)	Key management personnel
A M Maseko (National Treasury)	Key management personnel
W H Moolman (National Treasury)	Key management personnel

The table below provides a summary of the transactions that were entered into with related parties during the relevant financial year:

	Expenditure paid to	Interest income	Interest expense	Amounts owed by	Amounts owed to
	R'000	R'000	R'000	R'000	R'000
2024					
South African Reserve Bank	4 635	2 217 701	10 695	28 268 541	763 053
South African Mint Company (RF) Proprietary Limited	0	0	13 839	0	514
South African Bank Note Company (RF) Proprietary Limited	0	0	84 725	0	517 776
South African Reserve Bank Retirement Fund	0	0	5 214	0	71 228
National Treasury	0	400 953	8 966 630	0	91 139 034
2023					
South African Reserve Bank	4 324	2 490 366	4 119	25 253 910	0
South African Mint Company (RF) Proprietary Limited	0	0	975	0	1 244
South African Bank Note Company (RF) Proprietary Limited	0	0	88 618	0	1 082 661
South African Reserve Bank Retirement Fund	0	0	2 562	0	23 328
National Treasury	0	7 258	6 233 725	0	88 570 958

Terms and conditions of transactions with related parties

Any outstanding balances as 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
BREC	Board Risk and Ethics Committee
CPD	Corporation for Public Deposits
CPD Act	Corporation for Public Deposits Act 46 of 1984
EAD	exposure at default
ECL	expected credit loss
EIR	effective interest rate
ETP	Electronic Trading Platform
Fitch	Fitch Ratings
FMD	Financial Markets Department
FSD	Financial Services Department
IAD	Internal Audit Department
IAS	International Accounting Standard
IFRS	International Financial Reporting Standards
IGCC	Inter-Governmental Cash Coordination
LGD	loss given default
Minister	Minister of Finance
Moody's	Moody's Investors Service
NCD	negotiable certificate of deposits
NSR	national scale rating
PD	probability of default
PN	promissory note
R	rand
repo (rate)	repurchase (rate)
RF	ring-fenced
RMC	Risk Management Committee
RMCD	Risk Management and Compliance Department
SARB	South African Reserve Bank
SICR	significant increase in credit risk
S&P	Standard & Poor's
SPPI	solely payments of principal and interest

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