

Corporation for Public Deposits



**Annual Financial Statements
for the year ended
31 March 2016**



South African Reserve Bank

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Approval and statement of responsibility

The directors of the Corporation for Public Deposits (CPD) are responsible for the maintenance of adequate accounting records, and the preparation and integrity of the annual financial statements and related information. The external auditors are responsible for the independent auditing of, and reporting on, the fair presentation of the annual financial statements in conformity with International Financial Reporting Standards (IFRSs).

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

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

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

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



A D Mminele
Chairperson



A M Maseko
Director

Pretoria
19 May 2016

Directors' report

for the year ended 31 March 2016

The directors present the CPD's 32nd annual financial statements for the year ended 31 March 2016.

Nature of business

The CPD, a wholly owned subsidiary of the Bank, 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 Bank. The CPD may also accept call deposits from other depositors with the approval of the Minister of Finance (the Minister). All funds invested with the CPD are repayable on demand.

Board of Directors

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

The term of office of directors who hold the office of Governor, Deputy Governor, or who are officers of the Bank is three years, and these directors are eligible for reappointment. The term of office of directors who are officers of National Treasury is 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, 2015/16

Director	Position and Office	Date of appointment/ reappointment	Alternate director
A D Mminele	Deputy Governor of the Bank and Chairperson of the Board	24 March 2016	N Ford-Hoon
L R Myburgh	Officer of the Bank	1 March 2016	T Khoza (Retired – 31 March 2016)
M Ratsoma	Officer of National Treasury	4 April 2012	J D Redelinghuys
A M Maseko	Officer of National Treasury	4 April 2012	J H Krynauw

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

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

Directors are not remunerated for services rendered to the CPD.

Attendance schedule of directors for CPD Board meetings, 2015/16

	8/5/2015	26/8/2015	12/11/2015	16/2/2016
A D Mminele	√	√	√	√
L R Myburgh	√	√	√	√
M Ratsoma	x+	x+	x	x
A M Maseko	√	√	√	√

√ Present

x Absent with apology

+ Alternate representative in attendance

Accountability

The financial statements of the CPD are required to be submitted to the Minister within six months after the end of the financial year, whereafter the Minister tables them in Parliament. The March 2015 financial statements were tabled in Parliament on the 26 August 2015.

Internal controls

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

Administration and accounting

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

The administration and accounting of funds under the control of the CPD 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 Bank. 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 7 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 R72,6 million (2015: R79,8 million), which will be paid to government in terms of the CPD Act.

Share capital

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

Dividend

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

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

We have audited the annual financial statements of the Corporation for Public Deposits, set out on pages 6 to 20, which comprise the statement of financial position as at 31 March 2016, 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 of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards and the requirements of the Corporation for Public Deposits Act 46 of 1984, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation for Public Deposits as at 31 March 2016, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Corporation for Public Deposits Act 46 of 1984.

Other reports

As part of our audit of the annual financial statements for the year ended 31 March 2016, we have read the directors' report for the purpose of identifying whether there are material inconsistencies between this report and the audited financial statements. This report is the responsibility of the preparer. Based on our reading of this report we have not identified material inconsistencies between this report and the audited financial statements. However, we have not audited this report and accordingly do not express an opinion on this report.



SizweNtsalubaGobodo Inc.
Director: Agnes Dire
Registered Auditor
Chartered Accountant (SA)
Pretoria

19 May 2016

Statement of financial position

at 31 March 2016

	Notes	2016 R'000	2015 R'000
Assets			
Cash and cash equivalents	2	15 309 924	15 862 569
Money-market investments	3	4 314 923	12 328 956
Short-term deposits	4	22 958 735	2 928 077
Loans and advances	5	27 297 204	21 457 231
South African government bonds	6	397 206	413 723
Total assets		70 277 992	52 990 556
Liabilities			
Deposit accounts	7	70 103 442	52 808 756
Surplus due to government	8	72 550	79 800
Total liabilities		70 175 992	52 888 556
Capital and reserves			
Share capital	9	2 000	2 000
Contingency reserve		100 000	100 000
Total capital and reserves		102 000	102 000
Total liabilities, capital and reserves		70 277 992	52 990 556

Statement of profit or loss and other comprehensive income

for the year ended 31 March 2016

Interest income	10	4 549 731	3 831 139
Interest expense	11	(4 453 151)	(3 756 655)
Net interest income		96 580	74 484
Unrealised (loss)/profit on investments		(20 453)	8 531
Total income		76 127	83 015
Operating costs	12	(3 377)	(3 015)
Profit for the year		72 750	80 000
Taxation	13	0	0
Total comprehensive income for the year		72 750	80 000

Statement of changes in equity

for the year ended 31 March 2016

	Share capital	Accumulated profit	Contingency reserve	Total
	R'000	R'000	R'000	R'000
Balance at 31 March 2014	2 000	0	100 000	102 000
Total comprehensive income for the year	0	80 000	0	80 000
Transfer to government	0	(79 800)	0	(79 800)
Dividends paid	0	(200)	0	(200)
Balance at 31 March 2015	2 000	0	100 000	102 000
Total comprehensive income for the year	0	72 750	0	72 750
Transfer to government	0	(72 550)	0	(72 550)
Dividends paid	0	(200)	0	(200)
Balance at 31 March 2016	2 000	0	100 000	102 000

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 year ended 31 March 2016, an amount of Rnil million (2015: Rnil million) was transferred from accumulated profit to the contingency reserve.

Transfer to government

In terms of section 15 of the CPD Act, the surplus remaining after transfers to reserves and payment of dividends has to be paid to government. For the year ended 31 March 2016, an amount of R72,6 million (2015: R79,8 million) was transferred to government.

Statement of cash flows

for the year ended 31 March 2016

	Notes	2016 R'000	2015 R'000
Cash flows from operating activities			
Cash generated from operating activities	14.1	11 451 336	8 012 988
Interest received		4 549 731	3 831 139
Interest paid		(4 453 151)	(3 756 655)
Dividends paid		(200)	(200)
Transfer to government payment		(79 800)	(44 956)
Net cash flows generated from operating activities		11 467 916	8 042 316
Cash flows utilised by investing activities			
Decrease/(increase) in money-market investments	14.2	(12 020 561)	(1 557 577)
(Increase)/decrease in short-term deposits		8 004 610	(3 750 339)
Decrease/(increase) in South African government bonds	14.3	(20 030 658)	2 608 326
Net (decrease)/increase in cash and cash equivalents		5 487	(415 564)
Cash and cash equivalents at beginning of the year		(552 645)	6 484 739
Cash and cash equivalents at end of the year		15 862 569	9 377 830
		15 309 924	15 862 569

Notes to the financial statements

for the year ended 31 March 2016

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 and the accounting policies set out in this note. 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.

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

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

1.2 Changes in accounting standards

New and amended standards adopted

The International Accounting Standard Board (IASB) has amended International Accounting Standard (IAS) 24 to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'). The reporting entity is not required to disclose the compensation paid by the management entity to the management entity's employees or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided. The amendments are effective for annual periods beginning on or after 1 July 2014.

New standards, amendments and interpretations not yet adopted

New standards, amendments and interpretations are effective for annual periods beginning after 1 April 2016, and have not yet been adopted in preparing these financial statements. None of these are expected to have a significant impact on the financial statements of the CPD, except for the following:

- IFRS 9, *Financial Instruments*, A final version of IFRS 9, *Financial Instruments*, has been issued which replaces IAS 39, *Financial Instruments: Recognition and Measurement*. The complete standard comprises guidance on classification and measurement, impairment hedge accounting and derecognition, IFRS 9, *Financial Instruments*, introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held, and their cash-flow characteristics. A new business model was introduced which does allow certain financial assets to be categorised as 'fair value through other comprehensive income' in certain circumstances. The requirements for financial liabilities are mostly carried forward unchanged from IAS 39, *Financial Instruments: Recognition and Measurement*. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk. The new model introduces a single impairment model being applied to all financial instruments, as well as an 'expected credit loss' model for the measurement of financial assets. IFRS 9, *Financial Instruments* contains a new model for hedge accounting that aligns the accounting treatment with the risk management activities of an entity, in addition, enhanced disclosures will provide better information about risk management and the effect of hedge accounting on the financial statements. IFRS 9, *Financial Instruments* carries forward the derecognition requirements of financial assets and liabilities from IAS 39, *Financial Instruments: Recognition and Measurement*. The effective date has not yet been established as the project is currently incomplete. The IASB has communicated that the effective date will not be before years beginning on or after 1 January 2018. IFRS 9, *Financial Instruments* may be early adopted. If it is early adopted, the new hedging requirements may be excluded until the effective date. The Bank and its subsidiaries (Group) expects to adopt the standard for the first time in the first annual financial period after the effective date. The impact of this standard is currently being assessed.

- IFRS 15, *Revenue from Contracts from Customers*: This is a new standard that requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five-step methodology that is required to be applied to all contracts with customers. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. The effective date of the amendment is for years beginning on or after 1 January 2018. The Group expects to adopt the standard for the first time in the first annual financial period after the effective date. The impact of this standard is currently being assessed. The new standard supersedes:
 - IAS 11, *Construction Contracts*;
 - IAS 18, *Revenue*;
 - IFRIC 13, *Customer Loyalty Programmes*;
 - IFRIC 15, *Agreements for the Construction of Real Estate*;
 - IFRIC 18, *Transfers of Assets from Customers*; and
 - SIC-31 *Revenue Barter Transactions Involving Advertising Services*.
- IAS 1, *Presentation of Financial Statements: Disclosure Initiative*: These amendments are designed to encourage entities to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make it clear that materiality applies to the whole financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that entities should use professional judgement in determining where and in what order information is presented in the financial disclosures. The effective date of the amendment is for years beginning on or after 1 January 2016. The Group expects to adopt the amendment for the first time in the 2017 financial statements. The adoption of this amendment is not expected to impact on the results of the Group, but may result in more disclosure than is currently provided in the financial statements.

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

1.3 Financial instruments

Classification

Financial instruments as reflected in the statement of financial position include all financial assets and financial liabilities. The classification of financial instrument categories depends on the purpose for which the financial instruments were acquired. Management determines the classification at initial recognition of the financial instrument and re-evaluates this classification at each reporting date.

Financial instruments are classified as follows:

(a) Financial assets

Financial assets at fair value through profit or loss

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

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

A financial asset is designated as 'fair value through profit or loss' when it either eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the asset, or recognising the gains or losses on it on different bases; or it forms part of a portfolio of financial assets that is managed and whose performance is evaluated on a fair-value basis, in accordance with a documented risk management or investment strategy, and information about the portfolio is provided internally on that basis to key management personnel.

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

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

(b) Loans and receivables

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

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

- loans and advances; and
- 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). For the purpose of the statement of cash flows, cash and cash equivalents includes cash and cash equivalents as defined under this paragraph, net of the bank overdraft.

(c) Financial liabilities

Financial liabilities at amortised cost

The following liabilities have been classified as financial liabilities:

- deposit accounts; and
- bank overdraft.

Financial liabilities are measured at amortised cost.

Recognition

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

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

Measurement

(a) Initial measurement

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

Purchases and sales of financial assets that require delivery are recognised on trade date, being the date on which the CPD commits itself to purchasing or selling the asset. From this date, any gains or losses arising from changes in the fair value of the assets and liabilities are recognised. Financial assets are derecognised when the rights to receive cash flows from the assets have expired, or where the CPD has transferred substantially all risks and rewards of ownership. The CPD derecognises financial liabilities only when, the CPD's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

(b) Subsequent measurement

Financial assets designated at fair value through profit or loss are subsequently carried at fair value. Financial assets classified as 'loans and receivables' and 'financial liabilities' are subsequently carried at amortised cost.

The amortised cost of a financial asset or liability is the amount at which the financial asset or 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 impairment of financial assets. The carrying amount represents its fair value.

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

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

Impairment of financial assets

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

Gains and losses on subsequent measurement

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

Hedge accounting

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

Effective interest method

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

Set-off

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

1.4 Share capital

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

1.5 Revenue recognition

Interest income is recognised at the effective rates of interest inherent in finance contracts and is brought into income in proportion to the balance outstanding using the time-proportional method. Interest income includes

amortisation of any discount or premium, or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest basis.

1.6 Contingencies and commitments

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

1.7 Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principle (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 asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2. Cash and cash equivalents

	2016 R'000	2015 R'000
Current account with the Bank	7 647	2 710
Call deposit with the Bank	9 561 256	3 158 596
Short-term deposits at commercial banks	4 005 000	8 355 000
Money-market investments	1 669 825	4 237 803
Accrued interest	66 196	108 460
	15 309 924	15 862 569

The call deposit with the Bank earns interest at a rate equal to the average of the prevailing yield on 91-day Treasury bills and the average rate paid on the most recent 28-day reverse repurchase transactions conducted by the Bank 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.

At the reporting date, no repurchase agreements were included in the money-market investments (2015: R660,8 million). The following table presents details thereof:

Fair value of repurchase agreements	0	660 830
Fair value of collateral received	0	655 878
Fair value of collateral permitted to sell or repledge at the reporting date	0	655 878
Collateral cover	0%	99%
Maturity date		7 April 2015

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

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

3. Money-market investments

	2016 R'000	2015 R'000
Non-interest-bearing Treasury bills	72 588	72 588
Land Bank promissory notes	1 043 421	473 710
Negotiable certificates of deposit	1 707 535	9 311 545
Bridging bonds	504 820	1 004 845
Treasury bills	986 559	0
Other discount instruments	0	1 466 268
	4 314 923	12 328 956

Maturity structure of money-market investments

1 month and less	72 588	72 588
Between 1 and 3 months	3 948 565	8 818 476
Between 3 and 6 months (more than 91 days)	293 770	3 437 892
	4 314 923	12 328 956

For investments that meet the definition of financial assets designated at fair value:

Maximum exposure to credit risk	4 314 923	12 328 956
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Non-interest-bearing Treasury bills are funded by non-interest-bearing deposits in terms of an agreement with National Treasury.

4. Short-term deposits

Fixed deposits at commercial banks	22 800 000	2 900 000
Accrued interest	158 735	28 077
	22 958 735	2 928 077

Maturity structure of short-term deposits

Between 1 and 3 months	22 958 735	2 426 946
Between 3 and 6 months (more than 91 days)	0	501 131
	22 958 735	2 928 077

Short-term deposits are made for varying periods, depending on the CPD's immediate cash requirements, and earn interest at market-related rates.

5. Loans and advances

Interest-bearing loans	27 297 204	21 457 231
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These loans are unsecured and, at the reporting date, not past due or impaired. In terms of the current interest rate policies as approved by the Board, these loans earn interest at a rate equal to the yield on 91-day Treasury bills. The prevailing rate at the reporting date was 7,24 per cent (2015: 5,86 per cent).

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. South African government bonds

	2016 R'000	2015 R'000
Listed bonds: interest-bearing	395 760	412 276
Accrued interest	1 447	1 447
	397 206	413 723
Effective interest rate	6,81%	6,67%

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

7. Deposit accounts

Interest-bearing deposits	70 030 854	52 736 168
Non-interest-bearing deposits	72 588	72 588
	70 103 442	52 808 756

Maturity structure of deposit accounts

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

In terms of the current interest rate policies as approved by the Board, deposit accounts earn interest at a rate of 10 basis points less than the yield on 91-day Treasury bills. The prevailing rate at the reporting date was 7,14 per cent (2015: 5,76 per cent). Non-interest-bearing deposits fund the non-interest-bearing Treasury bills included in Note 3 on page 13.

8. Surplus due to government

Surplus due to government	72 550	79 800
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In terms of section 15 of the CPD Act, the surplus remaining after provision has been made for dividends and transfers to reserves must be transferred to government.

9. Share capital

Authorised 2 000 000 (2015: 2 000 000) ordinary shares at R1 each	2 000	2 000
Issued 2 000 000 (2015: 2 000 000) ordinary shares at R1 each	2 000	2 000

10. Interest income

Interest on call and fixed deposits	1 482 999	888 216
Interest on money-market instruments	392 601	783 910
Interest on loans and advances	2 396 330	1 823 237
Interest on South African government bonds	27 513	296
Discount	250 288	335 480
	4 549 731	3 831 139

11. Interest expense

	2016 R'000	2015 R'000
Interest on deposit accounts	4 449 125	3 754 544
Interest on margin call	120	100
Interest on overdraft	3 906	2 011
	4 453 151	3 756 655

Interest on deposit accounts is calculated as set out in Note 7 on page 14.

Interest on overdraft is calculated at a rate of 40 basis points less than the average discount rate on 91-day Treasury bills. The prevailing rate at the reporting date was 6,71 per cent (2015: 5,38 per cent).

12. Operating costs

Audit fees	248	230
Other operating costs	3 129	2 785
	3 377	3 015

13. Taxation

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

14. Notes to the statement of cash flows

14.1 Cash generated from operating activities

Profit for the year	72 750	80 000
Adjustments for:		
Interest income	(4 549 731)	(3 831 139)
Interest expense	4 453 151	3 756 655
Unrealised loss/(profit) on investments	20 453	(8 531)
	(3 377)	(3 015)
Changes in working capital:		
Loans and advances	(5 839 973)	420 623
Deposit accounts	17 294 686	7 595 380
	11 451 336	8 012 988

14.2 Decrease/(increase) in money-market investments

Decrease/(increase) in money-market investments	8 014 033	(3 760 711)
Adjustment for non-cash item:		
Unrealised (loss)/profit on money-market investments	(9 423)	10 372
	8 004 610	(3 750 339)

14.3 Decrease/(increase) in South African government bonds

Decrease/(increase) in South African government bonds	16 517	(413 723)
Adjustment for non-cash item:		
Unrealised loss on South African government bonds	(11 030)	(1 841)
	5 487	(415 564)

15. Events after the reporting date

No material events occurred between 31 March 2016 and 8 May 2016 requiring disclosure in, or adjustment to, the annual financial statements for the year ended 31 March 2016.

16. Risk management

Interest rate management

Deposit accounts

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

Investments, 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 Bank and the CPD, the Bank will pay interest to the CPD at a rate equal to 91-day Treasury bills. The 91-day Treasury bill yield will be applicable if this rate falls below the Treasury bill yield. In terms of the current interest rate policies as approved by the Board, loans and advances earn interest at a rate equal to the yield on 91-day Treasury bills.

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

Credit risk management

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 cent thereof. The exposure to call and fixed deposits at commercial banks at 31 March 2016 was R26 805 million (2015: R11 255 million), excluding accrued income. The CPD also places call deposits with the Bank. The total exposure to call deposits at the Bank at 31 March 2016 was R9 561 million (2015: R3 159 million), excluding accrued income.

Money-market instruments, including cash and cash equivalents

The CPD may have significant investment exposure to other money-market instruments, such as promissory notes and negotiable certificates of deposit. Where applicable, the exposure to these instruments is subject to, and forms part of, the same 20 per cent limit as the call deposits referred to above.

In terms of the Investment Guidelines approved by the Board, all investments are placed with Investment Grade institutions and with the Bank. The CPD utilises banking institutions with a minimum credit rating of BBB- by the agencies Standard and Poor's, Fitch and Moody's. The majority of investments are invested in the short term with maturities of less than three months. The profitability of the CPD is monitored regularly and the Board has the authority to adjust the interest rate payable to depositors in order to maintain the desired results.

Liquidity risk

In view of the short-term nature of the CPD's liabilities, its investment policy is to invest in assets with a maturity of less than three years and further to invest at least 60 per cent of all funds in assets with a maturity of less than three months. The maturity structure of investments at 31 March is shown in notes 2, 3 and 4.

Deposit accounts

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

The Financial Markets Department of the Bank is responsible for investing funds deposited with the CPD according to the Investment Guidelines approved by the Board. The Financial Markets Department endeavours to invest funds in an optimal manner, taking into account the expected cash flow of the CPD, the interest rate cycle, the possible liquidity impact and market tendencies.

Sensitivity analysis

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

	Increase in basis points	Sensitivity of net income: increase/ (decrease) R'000	Decrease in basis points	Sensitivity of net income: increase/ (decrease) R'000
2016				
Money-market investments	+100	(11 761)	-100	11 783
South African government bonds (price movement)	+100	16 971	-100	8 770
2015				
Money-market investments	+100	(31 867)	-100	31 951
South African government bonds (price movement)	+100	4 247	-100	(4 029)

Fair value hierarchy disclosures

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

- Level 1: Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities. These are readily available in the market and are normally obtainable from multiple sources.
- Level 2: Fair value is based on input other than quoted prices included within Level 1 that is observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: Fair value is based on input for the asset or liability that is not based on observable market data.

Financial instruments

	Total R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000
2016				
Items measured at fair value on a recurring basis				
Financial assets				
Money-market investments	4 314 923	0	4 314 923	0
Short-term deposits	22 958 735	22 958 735	0	0
South African government bonds	397 206	397 206	0	0
Items measured at amortised cost				
Financial assets				
Cash and cash equivalents	15 309 924	13 640 099	1 669 825	0
Loans and advances	27 297 204	0	27 297 204	0
Financial liabilities				
Deposit accounts	70 103 442	0	70 103 442	0
2015				
Items measured at fair value on a recurring basis				
Financial assets				
Money-market investments	12 328 956	0	12 328 956	0
Short-term deposits	2 928 077	2 928 077	0	0
South African government bonds	413 723	413 723	0	0
Items measured at amortised cost				
Financial assets				
Cash and cash equivalents	15 862 569	11 624 766	4 237 803	0
Loans and advances	21 457 231	0	21 457 231	0
Financial liabilities				
Deposit accounts	52 808 756	0	52 808 756	0

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

	Total R'000	Designated at fair value R'000	Loans and receivables R'000	Other liabilities R'000
2016				
Interest income	4 549 731	1 086 849	3 462 882	0
Interest expense	(4 453 151)	0	0	(4 453 151)
Unrealised profit on investments	(20 453)	(20 453)	0	0
2015				
Interest income	3 831 139	829 573	3 001 566	0
Interest expense	(3 756 655)	0	0	(3 756 655)
Unrealised loss on investments	8 531	8 531	0	0

18. Classification of financial assets and liabilities

	Carrying amounts				Fair value R'000
	Total	Designated at fair value	Loans and receivables	Other liabilities	
	R'000	R'000	R'000	R'000	
2016					
Financial assets					
Cash and cash equivalents	15 309 924	0	15 309 924	0	15 309 924
Money-market investments	4 314 923	4 314 923	0	0	4 314 923
Short-term deposits	22 958 735	22 958 735	0	0	22 958 735
Loans and advances	27 297 204	0	27 297 204	0	27 297 204
South African government bonds	397 206	397 206	0	0	0
	70 277 992	27 670 864	42 607 128	0	69 880 786
Financial liabilities					
Deposit accounts	70 103 442	0	0	70 103 442	70 103 442
	70 103 442	0	0	70 103 442	70 103 442
2015					
Financial assets					
Cash and cash equivalents	15 862 569	0	15 862 569	0	15 862 569
Money-market investments	12 328 956	12 328 956	0	0	12 328 956
Short-term deposits	2 928 077	2 928 077	0	0	2 928 077
Loans and advances	21 457 231	0	21 457 231	0	21 457 231
South African government bonds	413 723	413 723	0	0	0
	52 990 556	15 670 756	37 319 800	0	52 576 833
Financial liabilities					
Deposit accounts	52 808 756	0	0	52 808 756	52 808 756
	52 808 756	0	0	52 808 756	52 808 756

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 Captive Insurance Company (RF) Limited	Fellow subsidiary
Pension Fund of the South African Reserve Bank	Pension fund of holding company
South African Reserve Bank Retirement Fund	Retirement fund of holding company
National Treasury	Significant influence
Aaron Daniel Mminele (South African Reserve Bank)	Key management personnel
Leon Reinier Myburgh (South African Reserve Bank)	Key management personnel
Monale Ratsoma (National Treasury)	Key management personnel
Aubrey Mkhulu Maseko (National Treasury)	Key management personnel

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

	Expenditure paid to	Interest income	Interest expense	Amounts owed by	Amounts owed to
	R'000	R'000	R'000	R'000	R'000
2016					
South African Reserve Bank	3 129	731 648	3 906	9 629 910	0
South African Mint Company (RF) Proprietary Limited	0	0	20 168	0	298 425
South African Bank Note Company (RF) Proprietary Limited	0	0	38 493	0	362 851
South African Reserve Bank Captive Insurance Company (RF) Limited	0	0	883	0	0
Pension Fund of the South African Reserve Bank	0	0	8	0	134
South African Reserve Bank Retirement Fund	0	0	497	0	8 086
National Treasury	0	2 396 330	4 389 076	27 297 204	69 433 946
2015					
South African Reserve Bank	2 785	382 180	2 011	3 192 626	0
South African Mint Company (RF) Proprietary Limited	0	0	12 992	0	348 257
South African Bank Note Company (RF) Proprietary Limited	0	0	33 766	0	392 820
South African Reserve Bank Captive Insurance Company (RF) Limited	0	0	1 484	0	15 538
Pension Fund of the South African Reserve Bank	0	0	7	0	128
South African Reserve Bank Retirement Fund	0	0	647	0	7 175
National Treasury	0	1 823 238	3 705 648	21 457 231	52 044 838

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
Group	South African Reserve Bank and its subsidiaries
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRSs	International Financial Reporting Standards
IGCC	Inter-Governmental Cash Coordination
Minister	Minister of Finance
the Bank	South African Reserve Bank
SIC	Standing Interpretation Committee