Post Office

We deliver, whatever it takes.

Integrated Report 2013

Vision

To be recognised among the leading providers of postal and related services in the world.

Mission

We will enable the nation to efficiently connect with the world by distributing information, goods, financial and government services; leveraging our broad reach and embracing change, technology and innovation.

Values

We have a passion for our customers and will meet their specific needs through excellent service

We aim to contribute positively to our communities and environment

We treat each other with respect, dignity, honesty and integrity

We recognise and reward individual contributions

We embrace diversity in the way we conduct business

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Speed Services Couriers scans an average of 45 000 items into their mail centres each working day.

Group Management Report

Chairperson's report

Globally, traditional postal services have, for a long time, experienced negative growth largely due to plummeting revenues. Underpinning this trend has been the fact that technology, as a key business driver, has introduced a plethora of substitute products that have exponentially increased the service offering for the customer. At no point in history have customers been faced with so many choices – competitive times usually breed innovation and this generally spells good news for customers.

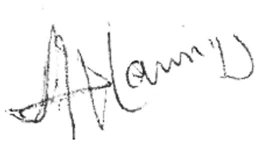
Customer needs and expectations are ever-evolving with immense demands for secure and convenient electronic services. Ensuring that the SA Post Office remains relevant in a modern-day South Africa will require the organisation to 'tap into' this trend and integrate technology and innovation into an improved postal service that guarantees efficiency.

Charged with the responsibility of improving the interoperability of postal networks; providing technical knowledge and expertise; promoting innovative products and services, and fostering the postal sector's sustainable development, the Universal Postal Union presented a study in 2011 which revealed that postal services still 'modestly contribute to overall revenues, 70% of posts worldwide consider them strategically important for the future'.

In line with this trend, the South African market has also changed fundamentally, with shrinking mail volumes impacting our revenue as a group. This impact results from factors such as cost containment by our major customers, changing competition landscape, regulatory landscape and ever-increasing customer sophistication. The SA Post Office has a full appreciation of the changes of our macro- and micro-environments and has sought different responses to leverage its competitive edge.

Our initiatives aim to ensure profitability, while we simultaneously seek to constantly meet our government mandate of providing an economic opportunity to the people of South Africa. With this in mind, we recently launched our strategic business plan to help us navigate the competitive 'waters' with a view primarily to providing relevant customer solutions. Intrinsically, the plan aims to enhance our value proposition by improving our internal efficiencies, while ensuring that we keep abreast of our ever-changing external environment. Diversification forms the centrepiece for our strategy, with e-business being our core focal area.

The Board of directors and the executive team remain focused on finding key synergies that will catapult the business to new growth heights. My heartfelt gratitude goes to our customers, our shareholder representative members of the Portfolio Committee on Communications, the Board of Directors, executive team and all our employees for their contributions during the financial year.



Dr Hlamalani Manzini

Acting Chairperson

Board of Directors - Non-executive directors

Dr Hlamalani Manzini
DLITT et PHIL
Senior Executive Programme
International Health Leadership Programme
Appointed: 1 March 2012

Mr George Mothema
B Proc
Appointed: 1 March 2012
Retired: 26 June 2013

Mr Moghammad Shu'ayb Patel
National Diploma in Telecommunications
National Higher Diploma Electrical Engineering
Cert. Dir. IOD SA
Appointed: 1 August 2007

Ms Getty Simelane
Bachelor of Arts (Social Work)
Higher Diploma in Personnel Management
MPhil in Social Policy
Appointed: 1 March 2012

Board of Directors - Non-executive directors

Ms Nobuhle Gloria Mthethwa
Marketing Management Certificate
Personal Development Programme
Industrial Development Programme
Good Practices (HRM-ILO)
Appointed: 1 March 2012

Ms Nomathemba Kela
Diploma in Social Work
Diploma in Management of Development Planning
Appointed: 1 March 2012

Ms Kgabo Sicwebu
B Comm (Accounting degree)
Diploma in Accounting
Management Programme
Appointed: 1 April 2010
Retired 31 March 2013

Mr Richard Sishuba
Former Director: Black Power Industries
Former President NAFCOC Youth and Gauteng
Appointed: 1 March 2012

Board of Directors - Non-executive directors

Mr Nkosinathi Bebeza
BTech, Business Administration
Appointed: 1 October 2009
Retired: 30 September 2012

Mr Thulani Cyril Ngcobo
BSc Civil Engineering
PMI, MBA, PGC ENG, Miodsa LLB
Appointed: 1 April 2010
Retired: 31 March 2013

Adv Limakatso Portia Nobanda
BA, LLB
Appointed: 1 October 2009
Retired: 30 September 2012

Board of Directors - Executive directors

Mr Christopher Hlekane
Group Chief Executive Officer
Appointed 1 October 2012

Ms Khumo Mzozoyana
Group Chief Financial Officer
Appointed 1 January 2013

Mr Buzwe Yafele
Acting Chief Operating Officer
Appointed 9 May 2013

Mr Shaheen Adam
Acting Managing Director: Postbank
Appointed 13 September 2011

Group Chief Executive Officer's report

The SA Post Office experienced a challenging year during 2012/13. This was evidenced by lower mail and courier volumes, labour unrest and the loss of the South African Social Security Agency (SASSA) grant payout business, which all decreased net profit. While our financial position had already been impacted by these factors, the well-documented illegal strike in Gauteng, which resulted in lost business, customer impact, cost of contingencies and overtime, saw a revenue loss of approximately R100 million.

Going forward, a key priority for the organisation will be a further review of the extent of our future universal service costs following the phasing out of the related government subsidy. These costs will have to be revisited in line with the business sustainability model, funding model and the execution of the mandate. Undoubtedly, the removal of the subsidy weakens our financial situation, as we remain obligated to deliver on our universal service commitments.

We are currently implementing various initiatives to restore the SA Post Office to profitability to meet efficiently our national mandate. Having launched our strategic corporate plan, we seek to diversify the group's revenue through the introduction of electronic business and other customer solutions inspired by information technology (IT). The strategic plan is our runway towards customer intimacy, agility and, ultimately, profitability.

The executive team has a full appreciation of the various inherent advantages for the SA Post Office, which are underpinned by our leading infrastructure across our nine provinces. With 2 486 service points spanning rural and semi-rural areas, the SA Post Office is a vital platform for delivering government services. Of particular interest is the growth witnessed with motor vehicle licence renewals and traffic fine payments.

Good progress is being made with the Postbank corporatisation, as it applies for a banking licence in line with the legislative amendment process. Postbank is implementing several significant initiatives to meet the requirements of the Banks Act, including the company registration process, upgrading the core banking system, implementing risk management systems and processes, and hiring additional skilled banking staff.

National Treasury has made funding available for these initiatives, which will enable Postbank to focus on financial inclusion – through provision of simple, affordable and accessible financial products and services - as a registered bank in terms of its mandate in the Postbank Act. This objective necessitates the review of our current product offering, planned product releases and broadening our channels.

As part of our effort to improve employee relations and streamline operations, we began phasing out the use of labour brokers. During this process, we considered the centrality of our customers in relation to our previous employee relations. We continue to employ various strategies to further enhance our relations with employees for the ultimate benefit of customers. With committed effort and support from the Board of directors, executives and employees, I am confident we will turn around our financial position.

An improved financial position and the single-minded implementation of the strategic corporate plan will be the foundation for future growth. I remain confident that the SA Post Office will continue to be a relevant and essential component of the South African economy.

Christopher Hlekane

Group Chief Executive Officer

Executive Committee

Mr Christopher Hlekane
Group Chief Executive Officer

Ms Khumo Mzozoyana
Group Chief Financial Officer

Mr Buzwe Yafele
Acting Chief Operating Officer

Mr Ndala Mnisi
Group Executive: Retail

Executive Committee

Mr Janras Serame Kotsi
Group Executive: Mail Business

Mr Molefe Mathibe
Managing Director: CFG
Acting Managing Director: DOCEX

Mr Brighton Tiribabi
Acting Chief Information Officer

Mr Lungile Lose
Group Executive: Corporate Affairs

Executive Committee

Ms Marietjie Lancaster
Group Executive: Strategy

Mr Maphutha Diaz
Group Executive: Human Capital Management

Mr Claude Phillips
Chief Audit Executive

Secretariat

Ms Bessie Bulunga
Company Secretary

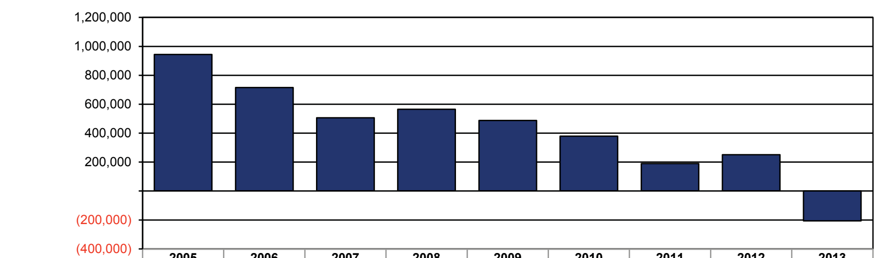
Adv Mpho Mphelo
Assistant Company Secretary

Highlights

- Postbank depositor's funds grew by 5.5%
- Total assets decreased by 0.5%
- Revenue declined marginally by 0.09%
- Labour strike action during the year
- The Group remains debt free

Chief Financial Officer's report

Decrease in pre-tax profits



	2005	2006	2007	2008	2009	2010	2011	2012	2013
Profit (loss) before tax	943,671	714,860	506,566	565,028	488,241	378,700	189,333	250,978	(206,859)

The South African Post Office Group posted an operating loss before tax of R206.859 million (2012: R250.978 million profit) resulting from a sharp decline in revenues of 0.09% to R5.696 billion (2012: R5.701 billion).

Lower mail and courier volumes, labour unrest and the loss of the SASSA grant pay-out business during the year under review also contributed to the lower revenues and reduction in the profit. The strike action by post office employees during August 2012 and February 2013 contributed to approximately R100 million losses in mail revenue. The strike action by the road freight industry as well as the cash-in-transit security industry also negatively impacted our operations and customer service. Additional costs were also incurred to clear backlogs resulting from the strike action.

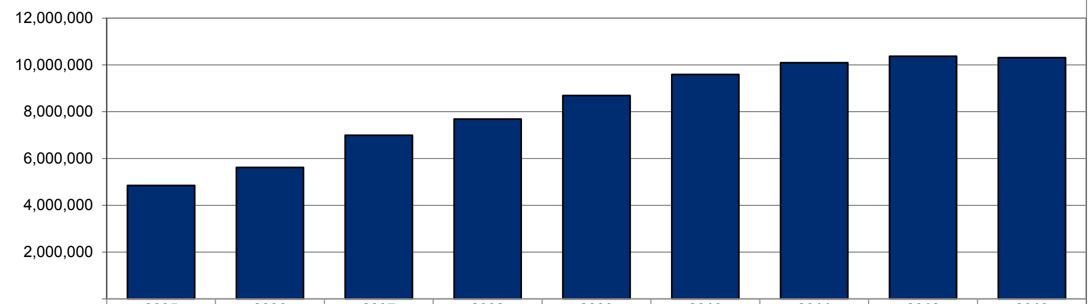
The lower revenues were to some extent offset by cost optimisation and containment measures across the Group that resulted in the suppressed growth of 4.4% in operating expenses to R6.296 billion (2012: R6.029 billion). The main contributors to our overheads are staff expenditure, including the employment of staff as casual employees from the labour broking companies, transport and property expenditure.

The tough trading conditions have largely contributed to the final result of a net loss of R178.687 million (2012: R157.855 million profit).

Cash flow

Cash used in operating activities was R371.186 million (2012: R360.820 million cash generated), being a decline of R732.006 million from the cash generated in the previous year. The overall cash and cash equivalents decreased marginally to R3.276 billion (2012: R3.27 billion) contributed by the lower revenues.

Strengthening the balance sheet



	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total Assets	4,850,023	5,621,527	6,996,219	7,690,781	8,691,229	9,596,917	10,096, 802	10,375,266	10,316,903

Total assets for the year decreased by 0.6% to R10.317 billion (2012: R10.375 billion) to fund the current loss position. The balance sheet remains a key focus area to serve as the engine for sustainability and future growth.

The depositors' funds have increased by R234 million during the year under review. These funds are ring-fenced and matched with investments that exceed the liabilities outstanding to depositors.

The capping of the post-retirement medical aid liability and the conversion of the pension fund from a defined benefit to a defined contribution fund continue to provide positive returns to reduce the impact of future liabilities.

The Group still remains debt-free, but external funding will be considered during the next financial year to invest in key areas to encourage revenue growth in support of the turnaround of the current financial position.

Subsidy

The SA Post Office received specific funding of R51.965 million (2012: R180.442 million) for the year ended 31 March 2013. This was used to fund the marginal post offices in the under - serviced areas so that we can meet the universal service obligation (USO). These post offices generate revenues of R73 million but have an operating cost structure of R473 million resulting in a loss of R400 million per annum. Postbank also reaches the unbanked segment through the under - serviced channel footprint.

The Shareholder has reduced USO funding to R0 for the 2014 financial year and the company will therefore need to review the future extent of its USO costs. The USO priorities that are being carried out by the company will have to be reviewed in line with the business sustainability model, funding model and the execution of the mandate in light of the removal of the subsidy. In the meantime the SA Post Office has included the continued requirement for this funding in the 2013 Medium Term Expenditure Framework (MTEF) submission request.

The Postbank corporatisation process has commenced and funding of R481 million has been allocated by National Treasury (NT) over the MTEF period.

The SA Post Office, through its Retail branches, is a vital channel for delivering Government services. This partnership has seen continued growth in motor vehicle licence renewals and traffic fine payments whilst the Pay-a-Bill service declined marginally. The Retail footprint also allows financial and banking services to be accessible to rural communities.

Capital expenditure

The South African Post Office has invested R158.823 million in infrastructure with a further R287.913 million committed.

The capital expenditure programme is a critical pillar to support the sustainability of the SA Post Office and the phasing out of the subsidy means that other means of funding have to be sourced. Future capex requirements have been re-prioritised and will focus on areas that will generate additional revenue or improve efficiency.

Prospects

The compression in mail volumes is expected to continue during the new financial year, which will result in depressed revenues.

The key focus will be the customer and the growth in our digital offering to retain our current customers whilst enhancing our value proposition to increase our customer base.

The economy still remains under extreme conditions with rising cost pressure and low revenues that will see a greater focus on further optimisation of our costs.

Signature

Ms Khumo Mzozoyana

Group Chief Financial Officer

South African
Post Office
We deliver, whatever it takes.

Strategy

GROUP KEY PERFORMANCE INDICATORS

The SA Post Office continues to give meaning to its strategic intent through the implementation of the initiatives in its approved strategic business plan.

Measurement of economic performance

Long-term strategic objective	Annual objective	Improvement priority	Target 2012/13	Achievement 2012/13	Achieved/not achieved	Remarks
Remain financially sustainable while delivering on the government's social mandate	Improve financial performance	Grow Group revenue	6% on top of declared revenue for 2011/12	Decreased by 0.09%	Not achieved	Decline in mail volumes, third party payments, Postbank transactions and statement fees, and the loss of SASSA business. The labour unrest and strike action by Post Office staff and the Road Freight industry also impacted the revenue. Loss of customers in Docex.
		Post Office	6%	Decreased by 0.16%	Not achieved	
		Logistics	7%	Increased by 1.6%	Not achieved	
		Courier Freight Group (CFG) (including SSC)	7%	Inreased by 1.9%	Not achieved	
		Docex	9%	Decreased by 4.6%	Not achieved	
		Achieve Group operating profit/(loss)	R137m	(R377.2m)	Not achieved	
		Post Office	R24m	(R353.9m)	Not achieved	
		Logistics	R112m	R82.2m	Not achieved	
		CFG (including SSC)	R110m	R85.2m	Not achieved	
		Docex	R2m	(R3.0m)	Not achieved	
	Increase cost efficiency management	Maintain Group staff cost as % of total cost	56%	57.2%	Not achieved	Increase in costs during strike action
		Maintain Group total cost as % of total income	98%	103.9%	Not achieved	Decline in revenue whilst costs remained fixed

Long-term strategic objective	Annual objective	Improvement priority	Target 2012/13	Achievement 2012/13	Achieved/not achieved	Remarks
	Strengthen financial position	Grow Postbank non-interest revenue	R28m	Decreased by R17.6m	Not achieved	Decline in transaction and statement fees resulting from the loss of SASSA business and customers
		Grow Postbank depositors book	R254m	R234m	Not achieved	Decrease in customers due to the economic downturn
		Achieve return on assets (ROA)	0.5%	-1.7%	Not achieved	Lower revenues and loss position
		Achieve return on equity (ROE)	2.3%	-7.0%	Not achieved	Lower revenues and loss position
		Increase total assets	R10. 375b	Decreased by 0.5% to R10.317b	Not achieved	Decrease due to funding of current loss position
		Achieve current ratio	1	1.3	Achieved	
		Achieve debtors days				
		– Mail	17	22	Not achieved	The labour unrest had a huge impact in the Wits and Northern regions. Collections were low due to some clients refusing to pay due to non-delivery of mail during this period
		– Courier	55	40	Achieved	
	Capital investment in priority areas	Achieve total capital expenditure (Capex) spend (paid and committed)	R250m	R158.8m spent R287.9m committed	Achieved	

Non-financial performance

Measurement of non-financial measurements that impact the financial sustainability of the group

Long-term strategic objective	Annual objective	Improvement priority	Target 2012/13	Achievement 2012/13	Achieved/not achieved	Remarks
Consolidation of Functions	Business restructuring	Corporatisation of Postbank	Complete company registration process Establish enterprise-wide risk management and governance frameworks	On-going, scheduled for completion end June 2013	Not achieved	A legislative amendment process is underway to align the Postbank Act to the Banks Act
			Submit the banking licence application to the South African Reserve Bank (SARB) for review and approval Implementation of the application to register (and operate as a bank) business plan	The banking application is being refreshed and made ready for submission. Planning for the execution phase on-going		
		Review and implement Shared Services unit	Finalise shared services design, business model and structure	No achievements	Not achieved	

Long-term strategic objective	Annual objective	Improvement priority	Target 2012/13	Achievement 2012/13	Achieved/not achieved	Remarks
		Consolidate the road transport network	Development of a consolidation plan and taking over of the national line haul management by logistics	Linehaul contracts were awarded to the seven service providers for implementation on 1 April 2013. Contract for the manufacture of trailers was signed and expected date of delivery is June 2013	Achieved	5 contracts have been signed. Negotiations are underway to finalise the other 2 contracts
		Speed Services's integration into Logistics SA Ltd	Complete integration process or adoption of an alternative model based on a project programme	Operations have been integrated	Not achieved	Awaiting approval from the Minister of Communications

Measurement of social sustainability

Long-term strategic objective	Annual objective	Improvement priority	Target 2012/13	Achievement 2012/13	Achieved/not achieved	Remarks
Provide a stable, well trained and satisfied employee force	Decent workplaces	Reduce workplace accidents and incidents on duty (IODs)	5% reduction on previous year's actual number of accidents	Incidents Increased by 6.17% (30 more incidents than in the previous year)	Not achieved	Prior to Oct 2012, IOD incidents involving flexible staff (casuals) were not recorded. Since casuals became part of the SAPO workforce,all IOD related incidents them are now recorded as official IODs. The main contributors were dog bites (increased by 28 incidents) and armed robberies (increased by 28 incidents)

Long-term strategic objective	Annual objective	Improvement priority	Target 2012/13	Achievement 2012/13	Achieved/not achieved	Remarks
	Improve intellectual capital	Training expenditure as % of group staff budget	1.55% (R48m)	1.12% (R38.3m)	Not achieved	The reason for non-achievement can be attributed to the following: 1. Bursaries for external learners not implemented 2. Webriposte (WRE) project not implemented as planned 3. HIV/AIDS project only pilot took place 4. Received Services SETA funding of R9.6m
		Maintain and enhance talent management	Adopt development board process (succession planning and retention of talent) and implement to senior manager level nationally	A mentoring programme has been developed and presented to general and senior managers. Talent management workshops were conducted and talent forums rolled out.	Not achieved	Implementation throughout the Company will be coordinated in terms of the readiness of the respective areas.
		Maintain and adhere to performance management policy	100% total-cost-to-company (TCTC) evaluations done quarterly	91% of employees submitted performance evaluations for the second quarter.	Not achieved	Final evaluations to be submitted by end of April 2013
	Labour practices	Management of human resources (HR) liabilities:				

Long-term strategic objective	Annual objective	Improvement priority	Target 2012/13	Achievement 2012/13	Achieved/not achieved	Remarks
		– Leave liability	10% reduction on previous year's actual	Increased by 17.6%	Not achieved	Monthly leave accruals and new appointments contributed to the increase
		– Housing liability	10% reduction on previous year's actual	Increased by 6.6%	Not achieved	Although the number of housing guarantees remained the same the value increased from R1.4m to R1.5m
		– Post-retirement medical aid cost (PRMA)	10% reduction on previous year's actual	Decreased by 1.5%	Not achieved	Reduction is dependent on natural death and death in service automatically qualifies for PRMA membership meaning dependants as continuation members. Continuation members include retirees, dependants of deceased members and such members who have retired on account of age and disability
		Manage employee relations (ER)	100% of the new, approved ER structure is in place and functioning	100% completed	Achieved	

Long-term strategic objective	Annual objective	Improvement priority	Target 2012/13	Achievement 2012/13	Achieved/not achieved	Remarks
	Health	Encourage employee participation in wellness programme	70% of total staff participation	76%	Achieved	
		Encourage employee participation in voluntary HIV/ Aids testing	80% of total staff tested	79%	Not achieved	Participation is voluntary. However, the company encourages employee participation

Long-term strategic objective	Annual objective	Improvement priority	Target 2012/13	Achievement 2012/13	Achieved/not achieved	Remarks
Diversification strategy implementation	Access to information and communications technology (ICT) services	Grow digital business	Finalise digital strategy	ePostal business unit and Trust Centre were operationally consolidated. Workshops were held with various business units to discuss the current business challenges and the opportunities in the e-space	Not achieved	The BU will engage external strategic service providers to help formulate the strategy in 2013/14
	Customer centricity	Begin to develop customer intelligence as targeted	Establish and implement market and customer intelligence function	Scoping of marketing intelligence system is underway	Not achieved	The segmentation of retail customers is the last towards setting the base for customer centricity. This will be concluded this 2013/14. The segmentation of Postbank customers was concluded in 2012/13
			Prepare customer relations management (CRM) business case and submit for approval	The business case for CRM is being prepared	Not achieved	This will be completed in 2013/14
			Achieve targets that will emanate from CRM plan			

Long-term strategic objective	Annual objective	Improvement priority	Target 2012/13	Achievement 2012/13	Achieved/not achieved	Remarks
Deliver on licence requirements and agreed targets	Licence and mandate obligations	Provide additional physical addresses as defined in schedule 2 of the amended SA Post Office licence by the Independent Communications Authority of South Africa (Icasa)	1 195 690	1 201 263	Achieved	
		Establish additional retail outlets (points of presence) as defined in schedule 1 of the amended SA Post Office licence by Icasa	50	50	Achieved	
		Delivery performance standards as defined in schedule 3 of the amended SA Post Office licence by Icasa				
		Mail	95%	92.26%	Not achieved	Impacted by the labour unrest during May, Jun, Aug, Oct, Nov, Dec 2012 and Feb, Mar 2013
		Logistics	98%	96%	Not achieved	The primary reasons for the failures are Air-line haul with SAA Cargo failures as well as regional road line haul with vehicle breakdowns
		Reduce queue waiting time as defined in the customer care standards	Achieve seven minutes	96% of retail branches complied	Not achieved	

Long-term strategic objective	Annual objective	Improvement priority	Target 2012/13	Achievement 2012/13	Achieved/not achieved	Remarks
Implement appropriate governance structures at all levels	Ethics	Establishment and functioning of Financial Misconduct Committee	Exco Governance forums to be held, quarterly	The Financial Misconduct Committee is established and meets regularly	Achieved	
			Quarterly baseline reporting: – Financial misconduct – Irregular expenditure – Fruitless and wasteful expenditure – BU/ Support Unit (SU) incident reporting	Information is being gathered for drafting of report	Not Achieved	Due to backlog in information gathering, quarterly report was not done. Will be done in 1st Q 2013/14
		Encourage anonymous crime reporting	10% increase on prior year's actual number of calls received	10% reduction	Not achieved	Reduction in the major crime categories (finance related, postal), which formed most of the anonymous crime reports
		Reduce crime and fraud	10% reduction on prior year's actual number of incidents	Reduced by 13%	Achieved	Reduction in financial misconduct (39%) Postbank fraud (56%) postal crime (20%) and armed robbery (39%)

Long-term strategic objective	Annual objective	Improvement priority	Target 2012/13	Achievement 2012/13	Achieved/not achieved	Remarks
	Governance	Improve contract management	100% of all valid contracts to be loaded on SAP	All procurement contracts are loaded on SAP	Achieved	
		Licence agreement	Submit report to ICASA on fulfillment of requirements per the licence agreements	Report to Icasa submitted within specified timelines	Achieved	

Long-term strategic objective	Annual objective	Improvement priority	Target 2012/13	Achievement 2012/13	Achieved/not achieved	Remarks
		Audit issues				
		Assessment of control environment based on completed audits	Red audits (critical) 10% Yellow audits (significant) 30% Green audits (low) 60%	23% 63% 15%	Not achieved	The internal control environment remains unsatisfactory despite an improvement in the overall number of high red audits
		Resolution of all audit issues	Open High and Medium risk audit issues exceeding 12 months = 0 outstanding issues	54 high and 24 medium issues outstanding	Not achieved	This is remains a key focus of the Board Audit Committee who monitors to ensure timeous resolution.
	Transformation	Employment equity targets as defined by the Department of Labour				
		– Females overall	42%	45%	Achieved	
		– Black female	29%	36%	Achieved	
		– Race (blacks in total)	79%	84%	Not achieved	
		– Staff with disability	4%	0.44%	Not achieved	Applications of suitable candidates to be appointed were not received and not all buildings are accessible for people with disabilities. A project is underway to address these issues
		Total broad-based black economic empowerment (BBBEE) spend	58%	58.6%	Achieved	

Measurement of environmental sustainability

Long-term strategic objective	Annual objective	Improvement priority	Target 2012/13	Achievement 2012/13	Achieved/Not achieved	Remarks
Corporate environmental	Environmental sustainability	Reduce carbon footprint	Reduce carbon emissions by 2.5% compared to previous year's actual emissions of 29.67ktCO_2	Scope 1 (direct emissions) 6.4% reduction and scope 2 (indirect emissions) reduced by 2.5%	Achieved	
			Offset 5% of total emissions	5.7%	Achieved	885 trees were planted, (one tree offsets 2.57tCO_2)
		Reduce electricity consumption	Reduce total electricity consumption by 3% compared to prior year's consumption	5.8%	Achieved	
		Reduce water consumption	Reduce total water consumption by 3% compared to prior year consumption	Baseline has been set as 2009/10	Not achieved	
			Reduce water consumption per employee by 3% compared to prior year	None	Not achieved	Tracking and logging will be conducted to monitor and control to achieve set target
		Reduce fossil fuel usage	Reduce total fuel usage by 2.5% compared to prior year	Petrol usage decreased by 38% and diesel usage increased by 21%	Achieved	
			Improve overall fuel efficiency of fleet by 2.5% compared to prior year	2.5%	Achieved	

Long-term strategic objective	Annual objective	Improvement priority	Target 2012/13	Achievement 2012/13	Achieved/Not achieved	Remarks
		Improve sustainability through recycling	Reduce total amount of paper used by 5% compared to prior year	Reduced by 57%	Achieved	
			Recycle 45% of paper used	120.78% of paper was recycled	Achieved	The quantity of paper recycled was higher than 100% because other forms of paper such as used paper, magazines, newspaper and cardboard were also recycled
Corporate social	Social investment	E-Rural Access via digital solutions	Reach 24 000 people	E-rural access programme has been established in 3 villages in Northern Cape and Limpopo	Achieved	
		Reduce HIV/Aids and poverty through social sustainability programmes	Reach 90 000 people	Reached 90 000 people via various programmes	Achieved	
		Tree planting	Benefiting 9 000 people	15 000 learners benefited	Achieved	

Tshwane Mail Centre processes an average of a million mail items each working day.

Corporate Governance

Corporate Governance Report

Mandate, regulation and licence

The South African Post Office (SOC) Limited was established on 1 October 1991 as a public company in terms of the Companies Act, 61 of 1973. The state (Republic of South Africa), represented by the Minister of Communications, is the sole shareholder.

Following the amendment of the Companies Act No 61 of 1973 by the Companies Act No 71 of 2008 (as amended), the SA Post Office was designated as a state-owned company (SOC) Limited SA as per the Post Office Act No 22 of 2011, as amended.

The SA Post Office is also a major state entity in terms of Schedule 2 of the Public Finance Management Act (PFMA) No 1 of 1999 (as amended) and is a SOC Limited in terms of the Companies Act No 71 of 2008 (as amended).

Regulation

The SA Post Office is mandated to provide postal services according to the Postal Services Act of 1985 and the exclusive mandate of 1998. This Act provides for the regulation of postal services and the operational functions of the company, including its universal service obligations (USOs).

The licence to operate as South Africa's postal services provider was issued to the SA Post Office on behalf of the regulator in August 2001. This licence is valid for 25 years and is reviewed every three years in terms of targets and performance.

The SA Post Office still enjoys a monopoly over reserved services, one that is currently being liberalised in many European countries. Until 2012/2013 this privilege is accompanied by government subsidies, provided together in return for a USO. The Postal Services Act of 1998 charges the regulator, Icasa, with ensuring the provision of universal service through the reserved postal services licensee, namely the SA Post Office.

Through the SA Post Office's USO, a strategic priority for the Group is rolling out new addresses and branches in remote areas, in line with the government's development programme for 2030. The Postal Services Act further appoints Icasa to monitor the incumbent against 'anti-competitive' behaviour.

Ownership

In accordance with the Postal Services Act No 124 of 1998, the state is the sole shareholder of the Group. The Minister of Communications, in his/her capacity as the representative of the state, is the sole shareholder. The Minister of Communications is the Executive Authority of the SA Post Office for purposes of the PFMA.

The management of the Group is vested in a single Board of directors. The Board reports to the Minister of Communications.

The relationship between the shareholder and the SA Post Office is governed by the shareholders' compact in terms of Section 52 of the PFMA.

The shareholders' compact sets out the roles, responsibilities, powers and reporting requirements of the parties. The compact is revised annually, allowing for inclusion of any additional requirements by the Minister to meet explicitly stated government socio-economic objectives.

The Boards of the individual operating subsidiary companies and the SA Post Office Group holding Board have shareholder compacts that regulate the relationships and are reviewed and agreed on annually on the basis that the public entity and/or its subsidiaries have in place the required corporate plan in line with Section 52 of the PFMA.

Legislative and governance framework

The SA Post Office complies with the protocols and legislation governing SOCs and is guided by various postal, courier and financial regulations laid down by the regulatory bodies such as ICASA and the Financial Services Board (FSB).

The Group is required to comply with, inter alia, the following:

- SA Post Office Act No 22 0f 2011;
- Postbank Act No 9 of 2010;
- Postal Services Act No 124 of 1998.
- Protocol on Good Corporate Governance in the Public Sector,
- Public Finance Management Act No1 of 1999 (as amended);
- Companies Act No 71 of 2008 (as amended);
- Relevant legislation applicable to the postal sector and to SOCs;
- King III Code on Good Corporate Governance; and
- Other relevant local and international codes for the postal sector.

The Group is committed to sound corporate governance principles and is guided primarily by generally accepted corporate governance practices, in particular the King III report on Corporate Governance plus the Protocol on Corporate Governance in the Public Sector. These practices seek to ensure that the entity's mandate is fulfilled with due consideration to responsible decision-making, accountability, effective and ethical leadership, as well as fairness and transparency, whilst performance is monitored and statutory requirements are satisfied.

In support of the shareholder's drive to impact positively on poverty alleviation and the social wellbeing of all citizens, the SA Post Office engages in a range of support activities, such as serving as a conduit for BBBEE share schemes, acting as a vehicle for the payment of government pension and social grants, and undertaking an extensive rural address expansion programme. Through Postbank, the company also provides accessible and affordable banking to the unbanked and lower income segment of the population.

SA Post Office Group shareholding structure

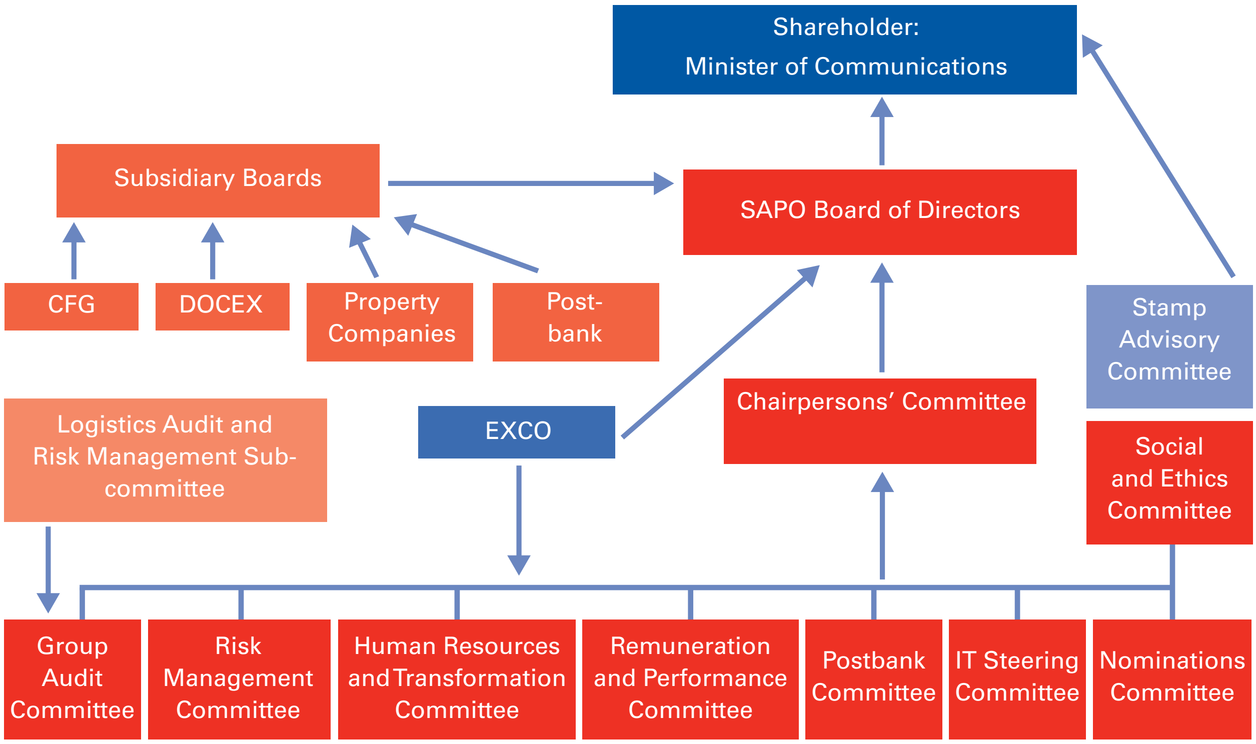
The State is the sole shareholder represented by the Minister of Communications.

The SA Post Office operates in terms of a Group holding structure, with the SA Post Office as the Group holding company, with two operating subsidiaries and several property companies. The subsidiary companies have their own boards comprising SA Post Office non-executive and executive Directors and the holding company executives who are appointed in a non-executive capacity to the subsidiary boards. The managing director of the subsidiary company acts as the executive director of the subsidiary. In line with the founding documents and articles of association of the subsidiaries, the SA Post Office Board appoints the directors of the subsidiary boards.

The relationship between the subsidiary companies and the SA Post Office, as the shareholder, is governed by the individual shareholders' compacts between the holding company and the subsidiary. The shareholder compact, as well as spelling out the roles and responsibilities of the parties, outlines the performance targets to be met by the subsidiary in terms of the overall annual corporate plan for the Group.

The SA Post Office Board has delegated some authority to the subsidiary Boards and has determined the relevant materiality and significance thresholds required by the PFMA for both subsidiaries in terms of approval of transactions.

The Postbank Act has created the Postbank Company (SOC) Limited as part of the process of corporatising Postbank. The processes to register Postbank as a fully fledged commercial bank with a banking licence and as a SOC are currently underway and will result in changes in the current Group structure. The SA Post Office will, in terms of the Postbank Act, become the 100% shareholder of the Postbank company once it has been registered.



The mandate of the Board

The SA Post Office has, as its accounting authority, a Board appointed by the Minister of Communications, who is the shareholder representative.

The mandate of the SA Post Office Board is set out in the South African Post Office Act and has been encapsulated in the SA Post Office Board charter as well as in the shareholders' compact signed by the Board and the Minister.

The SA Post Office licence and social mandate are derived from the following:

- The SA Post Office's legislative mandate in terms of its licence and Universal Service Obligation (USO);
- The mandate of the SA Post Office as a state-owned company (SOC) to ensure alignment of its programmes with the overall programmes of the government, and
- Triple bottom line reporting principles, ie profit, people, planet.

The mandate of the SA Post Office Board, as set out in the Board charter, is aligned to the requirements stipulated by the Protocol on Governance in State-owned Institutions as well as in the shareholders' compact.

To fulfil its mandate, the SA Post Office Board strives to increase shareholder value and maximising of socio-political benefits in terms of the broader principles and policies of the government.

The role of the Board

The role of the Board is explicitly supported by the statutory framework within which the Group operates, which includes the SA Postal Services Act No 124 of 1998, the SA Post Office Act No 22 of 2011, the Companies Act No 71 of 2008 (as amended) and the Public Finance Management Act No 1 of 1999 (as amended) which are key. The Group further endeavours to comply with the recommendations of best practice codes on corporate governance such as the King III report on Good Corporate Governance.

As directors, Board members also have the common law fiduciary duty of care and skill, which brings the following responsibilities:

- Duty to act in good faith;
- Avoidance of conflict of interest;
- Declaration of interest, and

- Ethics and integrity.

In terms of the PFMA, the Board, as an accounting authority, also has the following responsibilities:

- Submission of the required statutory returns;
- Financial reports;
- Risk management;
- Internal audit and assurance;
- Oversight and monitoring of the Group's performance against the corporate plan;
- Reporting to the shareholder and other stakeholders, and
- Oversight on behalf of the shareholder etc.

The Board is responsible for overall guidance on the strategy, business plans and related affairs of the Group. It is responsible for overseeing, on behalf of the shareholder, the performance of the Group against its corporate plan. In carrying out its oversight role, the Board holds management accountable for business performance and achievement of strategic objectives. The roles and responsibilities of the Board are defined in the following:

- The company's articles of association, which are being converted into a memorandum of incorporation (MoI) in terms of the Companies Act, No 71 of 2008, as amended;
- The Board charter,and
- The shareholders' compact.

The Board also determines the policies applicable across the Group. There are various Board-approved policies in place to govern the operations, including HR, IT and procurement. Group policies are reviewed regularly by the Board. Among the main policies and procedures that are part of control activities for compliance monitoring in the financial environment are:

- Delegation of authority (decision-making framework)
- Procurement policy;
- Assets and Liabilities Committee (ALCO) policy;
- Accounts payable policy;
- Banking policy;
- Travel policy; and
- Fixed assets policy.

The roles of the various Board committees are set out in the committee charters, which are revised annually to ensure alignment with the annual corporate plan, developments in law and best practices in governance.

Independence of the Board

Board members are appointed by the shareholder, the Minister of Communications. The Board considers submissions and recommendations made by management and makes independent decisions based on its fiduciary responsibilities and the strategic direction of the company. The Board has a fromal charter that defines its mandate, roles and responsibilities.

The Board committees meet independently and report back to the Board through their chairpersons. Each committee has a formal charter that clearly defines its roles and responsibilities.

The Audit Committee regularly meets individually with the external and internal auditors. Furthermore, the Board, its committees and individual directors may engage independent counsel and advisers on request and at the discretion of the Board.

Similarly, the subsidiary companies have their own independent and unitary Boards that meet independently and make policy pronouncements for the subsidiary company or recommendations to the Group holding Board in line with the shareholders' agreements; and delegation of authority/materiality framework and their respective Board charters.

A comprehensive framework setting out the authorities and responsibilities of the various sub-committees and subsidiary companies is in place through an approved system of delegation of authority, which also set out the applicable financial thresholds for transacting.

Composition of the SA Post Office Board

The SA Post Office Board is a unitary Board comprising a majority of non- executive directors. The non-executive directors of the Board are appointed by the Minister in accordance with Section 11 of the SA Post Office Act. The Board has executive directors appointed by Cabinet on the recommendation of the Minister. The executive directors are responsible for the day-to-day running of the company.

In terms of the SA Post Office Act No 22 of 2011, the Board should comprise:

- Not more than 11 non-executive directors, including the Managing Director of Postbank, appointed in terms of Section 11 of the SA Post Office Act, and
- Three executive directors, namely the Chief Executive Officer (CEO), Chief Operations Officer (COO) and the Chief Financial Officer (CFO).

Board members

Name	Directorship	Appointed	Chairmanship/ position in company
Dr Hlamalani Manzini[2]	Non-executive Director Interim Chairperson of SA Post Office Group Board	1 March 2012	Courier and Freight Group (CFG)
Mr George Mothema[3]	Non-executive Director and Chairperson of the Board	1 March 2012	Board
Mr Christopher Hlekane	Executive Director	1 October 2012	Group CEO
Mr Shaheen Adam	Executive Director	13 September 2011	Acting Managing Director: Postbank
Ms Khumo Mzozoyana	Executive Director	1 January 2013	Group CFO
Ms Nomathemba Kela	Non-executive Director	1 March 2012	Human Resources and Transformation Committee
Ms Nobuhle Mthethwa	Non-executive Director	1 March 2012	Postbank Committee
Mr Thulani Ngcobo[1]	Non-executive Director	1 April 2010	-
Mr Shu'ayb Patel	Non-executive Director	1 August 2007	Social and Ethics Committee
Ms Kgabo Sicwebu[1]	Non-executive Director	1 April 2010	-
Ms Getty Simelane	Non-executive Director	1 March 2012	Remuneration and Performance Management Committee Stamp Advisory Committee Interim Chair for DOCEX
Mr Richard Sishuba	Non-executive Director	1 March 2012	Risk Management Committee
Mr Nkosinathi Bebeza	Non-executive Director	1 April 2010	DOCEX Board
Mr Buzwe Yafele	Executive Director	9 May 2013	Acting Group COO

[1] Retired 31 March 2013
[2] Appointed Acting Chairperson 27 June 2013
[3] Retired 26 June 2013

Independent directors

Name	Directorship	Appointed	Chairmanship
Mr Hilmi Daniels	Independent Chairperson	1 October 2010	Logistics Audit Committee and Interim Group Audit Committee
Mr Nhlamulo Ndhlela	Independent Chairperson	1 July 2012	IT Steering Committee

Committees of the Board

The Group Board, as the accounting authority, takes full ownership of overall decision-making across the Group to ensure it retains proper direction and control of the Group.

The Board has a formal delegation of authority framework agreed with the Minister. The Board has delegated certain powers to the CEO and to management, but reserves certain powers as set out in the Board charter.

The Board has also appointed several committees to help it meet these responsibilities. Delegating various functions and authorities to committees and management, however, does not absolve the Board and its directors of their duties and responsibilities.

Without abdicating its own responsibilities, the Board has delegated certain functions to the following committees:

- Audit Committee;
- Risk Management Committee;
- Remuneration and Performance Management Committee;
- Human Resources and Transformation Committee;
- Nominations Committee;
- Social and Ethics Committee;
- IT Steering Committee; and
- Chairpersons' Committee.

An audit and risk management sub-committee has been established within the subsidiary boards, as a sub-committee of the Group Audit Committee.

The Stamp Advisory Committee is an advisory committee to the Minister on philately and the SA Stamp Programme and is chaired by a non-executive SA Post Office Board member and has members with expertise in philately appointed by the shareholder as well as representatives of the shareholder.

The committees of the Board all have formal terms of reference embodied in charters that further define their mandates, roles and responsibilities. The charters are reviewed and updated annually.

Each committee of the Board is chaired by a non-executive director and members are drawn from among non-executive directors, with the exception of the Audit Committee and IT Steering Committee, which are chaired by Independant Chairpersons. The executive directors attend committee meetings in their capacity as executives. Other management representatives are invited to meetings when required to report to the committee.

The committees meet on pre-arranged dates at least four times a year and at other times deemed necessary by the chairpersons. Workshops are held at least twice a year to review the business strategy, the shareholders' compact and the risk register of the company.

Committees do not have decision making powers, but make recommendations to the Board unless fully mandated in writing by the Board to make a decision on a specific issue.

The mandates of the various committees of the SA Post Office Board, in assisting the Board to fulfil its oversight responsibilities, are detailed below:

Audit Committee

The Audit Committee has been set up in accordance with the Companies Act No 71 of 2008 (as amended) and the PFMA No 1 of 1999 (as amended) to provide assurance to the Board on, inter alia, adherence to accounting standards and the adequacy of internal controls across the Group.

The Audit Committee reports to the Board and evaluates, **inter alia**, financial statements that will be provided to Parliament and other stakeholders, the systems of internal control that management and the Board have established, the audit processes and the Group's financial performance against its corporate plan.

Representatives from Finance, Group Risk Management, Internal Audit and the core business divisions attend meetings of the committee. The external and internal auditors have direct access to the chairperson of the committee.

The committee meets at least four times a year.

Members
Mr H Daniels (Interim Chairperson)
Ms K Sicwebu
Ms G Simelane
Mr R Sishuba (ex-officio: Chair of the Risk Management Committee)

Risk Management Committee

The committee is responsible for monitoring, developing and communicating the processes for managing risks across the Group.

The committee reports to the Board and assists the Board to fulfil its oversight responsibilities in the establishment and implementation of a risk management framework for the Group.

The committee also evaluates and advises the Board on the adequacy of the risk management processes and strategies in the Group. The committee further recommends the approval of the Group risk policies to the Board and the annual Group risk register.

Representatives from Group Risk Management, Group Compliance, Internal Audit, Security and Investigations divisions and all core business units attend meetings of the committee.

The committee meets at least four times a year.

Members
Mr R Sishuba (Chairperson)
Mr H Daniels (ex-officio: Interim Chair of the Audit Committee)
Ms K Sicwebu
Ms G Simelane

Remuneration and Performance Management Committee

The committee is responsible for reviewing compensation matters, including making recommendations to the Board on remuneration across the Group and benchmarking of salaries for employees in accordance with the articles of association/MoI.

The committee reports to the Board and assists it to fulfil its oversight responsibilities in the development, implementation and monitoring of the remuneration and performance management policies for the Group and their specific application to the executive management and application to all employees.

The committee also ratifies the remuneration of executives from general manager level and above within the approved range, including the approval of salaries that are outside or above the approved range.

The Group CEO, the Group Executive: Human Capital Management and relevant representatives from management attend meetings of the committee.

The committee meets at least four times a year.

Members
Ms G Simelane (Chairperson)
Mr G Mothema (retired Chairperson)
Mr TC Ngcobo
Ms N Kela (ex-officio: Chair of the HRTC)

The Human Resources and Transformation Committee

The committee is responsible for ensuring that an economic, effective, efficient and transparent system for human capital management is in place in the Group.

The committee reports to the Board and monitors compliance with labour and employment matters and also recommends significant human resources policies to the Board for approval. The mandate of the committee has been extended to include issues of transformation across the Group.

The Group CEO, the Group Executive: Human Capital Management and relevant representatives from management attend meetings of the committee.

The committee meets at least four times a year.

Members
Ms N Kela (Chairperson)
Dr NH Manzini
Ms N Mthethwa

Postbank Committee

The committee is responsible for the overall strategic planning, budget and reporting processes for Postbank, as a business division of the SA Post Office Group.

The committee reports to the Board and its duties include monitoring of financial performance, legal and regulatory compliance, strategic projects and monitoring of Postbank operations. The committee is also responsible for identifying the key areas of risk in Postbank and the required measures to mitigate such risks.

The Group CEO, the Managing Director (MD) of Postbank and relevant representatives from management attend meetings of the committee.

The committee meets at least four times a year.

Members
Ms N Mthethwa (Chairperson)
Dr H Manzini
Ms K Sicwebu

IT Steering Committee

The committee is responsible for overseeing, on behalf of the Board, the execution of IT-related decisions across the Group.

The committee reports to the Board and is responsible for the governance of IT across the Group, which includes monitoring and reviewing IT policies and practices to ensure that the required IT support is provided and that IT is positioned as a key enabler for business.

The Group CEO, the CIO and relevant representatives from management attend meetings of the committee.

The committee meets at least four times a year.

Members
Mr N Ndhlela
(Independent Chairperson)
Mr TC Ngcobo
Mr R Sishuba
Mr MS Patel

Nominations Committee

The committee reviews policies, practices and processes for the nomination and appointment of persons as non-executive directors and executive managers across the Group and the employer representatives to the boards of trustees of the medical, retirement and provident funds of the SA Post Office.

The Group CEO, the Group Executive: Human Capital Management and relevant representatives from management attend meetings of the committee by invitation.

The committee meets at least twice a year or on an ad hoc basis as and when required.

Members
Mr G Mothema (retired Chairperson)
Dr N Manzini (Interim Chairperson)
Ms N Kela
Ms G Simelane
Mr S Dietrich
Ms N Mthethwa
Adv L Nobanda

Social and Ethics Committee

The committee was established to monitor the Group's socio-economic development and transformation activities, and its adherence to generally accepted ethics standards, and to ensure it is seen as a good corporate citizen through its strategies to combat corruption, protect the environment, and labour and employment practices.

The Group CEO and key representatives from management attend meetings of the committee.

The committee meets at least four times a year.

Members
Mr MS Patel (Chairperson)
Ms K Sicwebu
Ms G Simelane

Chairpersons' Committee

The Board has established a Chairpersons' Committee to enhance good corporate governance in the Group and to deal with other matters between Board meetings.

It is made up of chairpersons of all Board committees and considers procurement-related matters prior to their approval by the Board. The Group CEO and the executive directors attend meetings of the committee.

The committee meets at least four times a year.

Members
Mr G Mothema (Retired Chairperson)
Ms G Simelane (Interim Chairperson)
Ms N Kela
Dr H Manzini
Ms N Mthethwa
Mr R Sishuba
Mr MS Patel
Mr N Ndhlela
Mr H Daniels

Stamp Advisory Committee

This committee has been established to advise the Minister of Communications on the South African annual stamp issue program and related issues.

The committee is made up of specialists in philately and representatives from the Department of Communications and a representative from the SA Post Office Board.

The committee meets twice a year and on ad-hoc if required.

Members
Ms G Simelane (Interim Chairperson)
TM Mabaso (Independent)
M Martin (Independent)
D Wigston (Independent)
Prof G Younge (Independent)
N Munzhelele (Independent)

Executive Committee

The Board has delegated to the Group Chief Executive Officer its powers pertaining to the day-to-day operations of the Group. The Executive Committee (Exco) assists the Group CEO in executing these duties. The executive directors, namely the CEO, the CFO, the COO and the MD of Postbank are also members of the committee.

The committee meets formally fortnightly and additional meetings (formal and informal) are scheduled when business imperatives so require. The CFO, the COO and the MD of Postbank report to the Board through the Group CEO. Decisions are taken in accordance with the Group's delegation of authority, which is derived from the materiality and significance framework agreed to annually between the Board and the shareholder.

The key responsibilities of the Exco include:

- Managing the operational activities of the company;
- Reviewing company strategy and policy proposals for consideration by the Board and implementing the Board's directives;
- Reviewing viable business opportunities for the company;
- Developing the annual budget and business plans of the company;
- Developing and implementing policies and procedures for:
  - Internal controls, ie supply chain management,
  - Governance,
  - Risk management,
  - Ethics and authority levels etc.
- Reporting to the Board on the quality and acceptability of the company's accounting policies and practices, including, without limitation, critical accounting policies and practices.

Subsidiaries

The SA Post Office Group has two operating subsidiary companies with their own boards:

- The Courier and Freight (CFG) Group (Pty) Limited, and
- The Document Exchange (Docex) Group (Pty) Limited

A Logistics Audit Committee has been established for the two subsidiary boards as a sub-committee of the Audit Committee in line with the requirements of the King III code on Good Corporate Governance. An independent, non-executive chairperson has been appointed to chair the Logistics Audit Sub-committee to ensure compliance with King III.

The subsidiary Boards meet on pre-arranged dates at least four times in a year and at other times deemed necessary by the chairpersons. Workshops are held at least twice a year to review the business strategies, the shareholders' compacts and the risk registers of the subsidiary companies.

Courier Freight Group

This is a subsidiary of the SA Post Office with its own Board comprising non-executive directors from the Group and independent, non-executive directors.

The company is responsible for the provision of courier, freight and related logistical services to businesses within and beyond South African boundaries.

The CFG Board is responsible for overall guidance on the strategy, business plans and related affairs of the company. It is responsible for overseeing, on behalf of the shareholder, the performance of CFG against its corporate plan.

In carrying out its oversight role, the Board holds management accountable for business performance as well as achievement of the company's strategic objectives.

The MD of CFG and the members of the CFG Executive Management Committee attend all meetings of the Board.

The Board meets at least four times a year.

Members
Dr H Manzini (Chairperson)
Mr TC Ngcobo
Mr MS Patel
Mr Christopher Hlekane
Ms K Mzozoyana
Mr MJ Mathibe (Executive Director)

Document Exchange Group (Docex)

This is a subsidiary of the South African Post Office with its own Board comprising non-executive directors from the Group and independent, non-executive directors.

The company is responsible for the provision of infrastructure for the movement of paper and electronic documents between members in various industries, including the movement of legal documents in the judicial sector.

The Docex Board is responsible for overall guidance on the strategy, business plans and related affairs of the company. It is responsible for overseeing, on behalf of the shareholder, the performance of Docex against its corporate plan.

In carrying out its oversight role, the Board holds management accountable for business performance as well as achievement of the company's strategic objectives.

The MD of Docex and the members of the Docex Executive Management Committee attend all meetings of the Board.

The Board meets at least four times a year.

Members
Ms G Simelane (Interim Chairperson)
Ms N Mthethwa
Mr R Sishuba
Mr Christopher Hlekane
Ms K Mzozoyana
Mr MJ Mathibe (Executive Director)

Logistics Audit Committee

This is a sub-committee of and reports to the Group Audit Committee.

The sub-committee acts in accordance with the PFMA and is responsible for evaluating the financial statements for Docex and CFG, which are submitted to the Group holding Board for approval and for inclusion in the Group annual report.

The sub-committee comprises representatives from the two subsidiary Boards as well as

The managing directors of CFG and Docex and the members of the CFG and Docex executive management committees and representatives from the Group internal audit and the external auditors attend all meetings.

The sub-committee meets at least four times a year.

Members
Mr H Daniels (Chairperson)
Ms N Mthethwa
Mr TC Ngcobo
Mr R Sishuba

Materiality and Significance Framework

Delegation of authority

The SA Post Office Board, as the accounting authority, has unfettered powers to direct and control the business of the company and may delegate the day-to-day management to the executive management, while at all times retaining full and effective control over direction and performance.

Although the Board's ultimate accountability is to lead and manage the Group, some of the responsibilities are delegated to executive management. To manage the business affairs of the Group, the delegated responsibilities are managed through established governance structures at Board and Exco levels. The Board has delegated certain of its powers to management, but has retained its powers to control the management and strategic direction of the SA Post Office.

To stabilise the organization, the Board may, in times of crisis in the company, revoke any powers granted to management. The Board may also revoke any powers conferred to any official.

The Board has developed a clear definition of the levels of materiality and significance to determine the scope of delegation of authority and to ensure that it reserves specific powers and authority. The delegated authority from the Board to its subsidiary Boards and to management is in writing and is reviewed and regulated regularly.

Materiality and significance

Treasury Regulation No 28.3.1 and Section 54/55the PFMA requires a public entity to develop and agree a significance framework with its executive authority. The PFMA prescribes that levels of materiality (Section 55) and significance (Section 54) be determined for interpretation and compliance.

Practice notes are issued by National Treasure (NT) from time to time to provide further guiding principles to determine qualitative and quantitative parameters for significance.

Material disclosure as per Section 55 of the PFMA: Disclosure is prescribed in terms of:

- Losses due to criminal conduct;
- Irregular expenditure, and
- Fruitless and wasteful expenditure.

    * *The above are dependent on the expense categories involved, eg if the loss or irregular expenditure relating to salaries constitutes at least 1% of staff expenses, it will be disclosed in the annual report. However, the disclosure requirements for fruitless and wasteful expenditure are not value/amount dependent, ie any amount qualifies for disclosure.*

Transactions are deemed to be 'significant' where the Rand value exceeds any of the following:

- 1% - 2% of the value of total assets;
- 0.5% - 1% of total revenue, or
- 2% - 5% of profit after tax.

The framework of acceptable levels of materiality and significance, applied by the SA Post Office Board during 2012/13, for interpretation of and compliance with the PFMA, No 1 of 1999 (as amended) is:

- Qualifying transactions are considered to be operational where they are concluded as part of the normal business of the SA Post Office, and are concluded within the framework of the South African Post Office Act, its mandate and delegations of authority, as well as the agreements with the shareholder contained in the shareholders' compact and corporate plan, and
- Qualifying transactions are considered to be strategic where they are not part of the normal business of the South African Post Office, are concluded outside the framework detailed above or when they link to national priorities.

The SA Post Office Group materiality and significance framework for 2012 /13 was approved by the Board as follows:

- All transactions of R50 million and above to be submitted to the Minister for noting;
- All transactions above R100 million to be submitted to the Minister for approval;
- All transactions above R20 million to be approved by the Board;

- The CEO or his/her appointed designate delegated to approve all transactions across the Group of R20 million and below.
- The CFG Board delegated to approve transactions by CFG up to R12.5 million and all transactions above R12.5 million to be submitted to the SA Post Office Board for approval as the shareholder, and
- The Docex Board delegated to approve transactions by Docex up to R5 million and all transactions above R5 million to be submitted to the SA Post Office Board for approval as the shareholder.

The Board will make the relevant submissions to the Minister should any changes be required to the current Group delegation of authority.

Materiality framework 2012/13

Type of transaction	Materiality framework	Approved financial thresholds for 2012/13	Underlying principles
Material for Section 55 of the PFMA: Disclosure in the annual report: • Losses due to criminal conduct The following should be disclosed irrespective of the amounts involved: • Irregular expenditure, and • Fruitless and wasteful expenditure	**Quantitative** • Capital expenditure: 10% of the capital expenditure budget line item • Other expenditure: 10% of the related operating expenditure budget line item, except for the following key cost drivers: – 1% of staff expenses, and – 5% of transport costs	Depends on the related expenditure budget line item	• Section 55: Evaluation of each loss due to criminal conduct, in the context of the expense category to which it relates to determine whether it qualifies for disclosure in the annual report as required • The value of any identified fruitless or wasteful expenditure will also be reported • In line with good business practice, as well as the requirements of the Act, the SA Post Office is committed to the prevention and detection of and to taking appropriate action on all irregular expenditure, fruitless and wasteful expenditure, losses resulting from criminal conduct and expenditure not complying with the operational policies of the company. To this end the company's systems and processes are designed and continually reviewed to ensure the prevention and detection of all such expenditure, irrespective of the amount.

Type of transaction	Materiality framework	Approved financial thresholds for 2012/13	Underlying principles
Significant for Section 54 of the PFMA: Notice to the shareholder and approval by the Minister of Finance of the following 'qualifying transactions' ie: • Establishment of or participation in the establishment of a company; • Participation in a significant partnership, trust, unincorporated joint venture or similar arrangement; • Acquisition or disposal of a significant shareholding in a company; • Acquisition or disposal of a significant asset; • Commencement or cessation of a significant business activity, and • A significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement	**Quantitative** Qualifying operational transactions: • 2.5% of total asset category Qualifying strategic transactions: • 5% of asset category • Qualitative: A qualifying transaction may also be considered significant based on considerations other than financial when, in the opinion of the Board, it is considered to be significant for the application of Section 54 • The decision on which non-financial issues may be considered at any time requires careful judgement strategically, and should, therefore, rest with the Board as the representative body of the shareholder. As an example, the Board may consider a qualifying transaction as significant when it could impact significantly on a decision or action by the Minister, such as a large retrenchment of less than R100 million.	Maximum R100 million however all expenditure above R50 million approved by the Board must be submitted to the Minister for noting.	• The PFMA is not intended to affect the autonomy of the organisation, but its stated objectives are to ensure transparency, accountability and sound management of revenue, expenditure, assets and liabilities of the institutions to which the Act applies. Therefore, the legislature could not have intended for the public entities to report and seek approval on matters • The business of the SA Post Office is conducted within the framework of the mandate, objectives and powers of the South African Post Office Act, as well as the business and financial direction set out in the corporate plan • The SA Post Office also has defined accountability and approval structures from the Board, as the shareholder representative, to the Group CEO and management • The responsibility for the day-to-day management of the SA Post Office vests in line management through a clearly defined organisational structure and formally delegated authorities

Audit and Assurance

Internal control is a framework designed to provide reasonable assurance on the achievement of organisational objectives. The system of internal control, which is embedded in all key operations, provides reasonable rather than absolute assurance that the Group's strategic objectives will be achieved. The Board has overall responsibility for internal control.

Management prepares the company's financial statements and the auditors examine the underlying accounting assumptions, principles and procedures management has adopted, with Board approval. To make the comparisons required by an audit, the auditor must examine not only the financial statements, but the records on which they have been based and the company's system of internal controls, including internal audit.

Executive management, as mandated by the Board, has established an organisation-wide system of internal control to manage significant risks. There is ongoing monitoring and reporting processes by BU heads to provide feedback on the status of internal controls.

The Board also receives assurance from the Audit Committee, which derives some of the information from regular internal and external audit reports.

Internal audit

The purpose, authority and responsibility of Group Internal Audit are defined in a Board-approved charter that is consistent with the Institute of Internal Auditors definition of internal auditing and the principles of King III. Although not reliant on external audit for any resource support, the internal audit function continues to liaise with the external auditors and other relevant assurance providers, to maximise efficiencies in assurance coverage and risks.

The primary scope in providing assurance includes:

- Evaluating the reliability and integrity of information and the means used to identify, measure, classify and report such information;
- Evaluating the systems established to ensure compliance with policies and procedures, plans and legislation that could be significant to the Group;
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- Evaluating the effectiveness and efficiency with which resources are employed;
- Evaluating operations or programmes to ensure results are consistent with established objectives and goals and whether the operations are being carried out as planned;
- Monitoring and evaluating governance processes, and
- Monitoring and evaluating the risk management process.

The assurance mandate is informed by the risk-based audit coverage plan, which is approved annually by the Audit Committee.

Risk and Compliance

Risk management

The Board acknowledges the legislative requirements that define and direct the risk management responsibilities of the Board, executive management, management and employees as in the PFMA (Act 1 of 1999 as amended by Act 29 of 1999 - PFMA) and King III.

The Group's risk management methodology has been formalised and aligned to Paragraph 14 of National Treasure (NT) Practice Note 4 of 2009/10 issued in terms of Section 52 of the PFMA and King III principles. The Board, through the risk management policy and framework, has accepted accountability for risk management across the Group and has additionally established risk governance structures, eg Board committees and other management structures, to monitor risk and compliance levels in the organisation.

The risk management policy and framework aims to ensure the deployment of a common and systematic risk management operating standards in accordance with international best practices across all operational activities within the Group. This will ensure appropriate management of risks, enhance sound corporate governance and effect regulatory compliance, strategic management, leadership efficiency and performance.

The Board requires management to reinforce effective control measures, continuous improvement strategies and compliance.

All Group executives, Business Units and Support Units heads and management at all levels have been mandated and are required to develop, implement and maintain risk management plans for their areas of responsibility and accountability to:

- Achieve an optimal and cost effective balance between risk exposure and risk mitigation;
- Monitor and maintain sound business operating environments to ensure that these remain within the operational risk appetite;
- Enhance management decisions on newly identified risks, and
- Reinforce effective control measures, continuous improvement strategies and compliance.

As an SOC, the Group also has a risk management plan that is aligned to King III and the ISO 31000 requirements and is, inter alia, directed at:

- The systematic identification and documenting of key risks that may impact negatively on the ability to achieve the strategic objectives;
- The identification of relevant control failures;
- The identification and implementation of risk mitigation strategies;
- Providing timely information to all stakeholders to enhance the decision-making process;
- Safeguarding the Group's resources against loss due to fraud, misuse, damage, and fruitless and wasteful expenditure;
- Safeguarding the availability, confidentiality and integrity of information systems;
- Ensuring conformance to applicable legislation, regulations, policies, procedures and operating standards;
- Enhancing policies and procedures for the management of operational risk, financial risk and treasury operations;,and
- Ensuring compliance to the Group's code of ethics.

The Board is responsible for the total risk management process within the Group and for overseeing the implementation of internal controls to address significant risks. The Board:

- Through its Risk Management Committee, oversees the Group's risk management programme;
- Conducted an annual risk assessment and review workshop to identify the current and emerging risks facing the company and the relevant risk mitigation strategies to avert and manage the risks. Ad hoc assessments are also performed, informed by emerging risks or changes in the corporate plan.
- Has delegated to management the day-to-day responsibility to design, implement and monitor the risk management plan;
- Has assigned responsibility for overseeing the implementation of the Group risk plan and the identified risks to the Group Chief Risk Officer, who is required to report to the Risk Management Committee on the steps being taken to manage or mitigate risks;
- Requires the various business and support units to submit their quarterly operational risk plans for review by the

Risk Management Committee;

- Ensures that management reports on the implementation of the annual Group risk management plan are a standing agenda item for the Risk Management Committee.

Risk mitigation strategies for the Group's strategic risks are directed at improving the control environment and at mitigating aspects that impact negatively on the following:

- The ability to build and grow an efficient, sustainable business, which is well defined in its purpose and whose purpose and services are well marketed and communicated;
- The ability to ensure adequate investment in employees to build capability for the future;
- The ability to align business operations to customer needs, shareholder priorities and government programmes;
- Improved stakeholder relations;
- Appropriate procurement governance - failures and the impact on reputation across the procurement value chain (project initiation, specifications, sourcing, contract management and supplier performance management);
- The ability to enhance adequate internal control and governance, streamlining processes and enhancing efficient decision making;
- The ability to renew and design the physical network (workplace infrastructure and systems) for the future, and innovating new products and services.

External insurance cover is a mechanism to mitigate operational risks and transfer some risks to third parties in the insurance market to the extent considered appropriate and that, inter alia, include:

- Cover for damages to buildings and equipment;
- Cover for business interruption;
- Comprehensive cover for crime – including electronic crime;
- Directors' and officers' liability;
- Public liability cover;
- Cover for legal liability arising out of the use of non-owned aircraft, and
- Cover for liabilities or damages arising out of any activities of consultants, contractors, suppliers, vendors, manufacturers or other advisers appointed by the company.

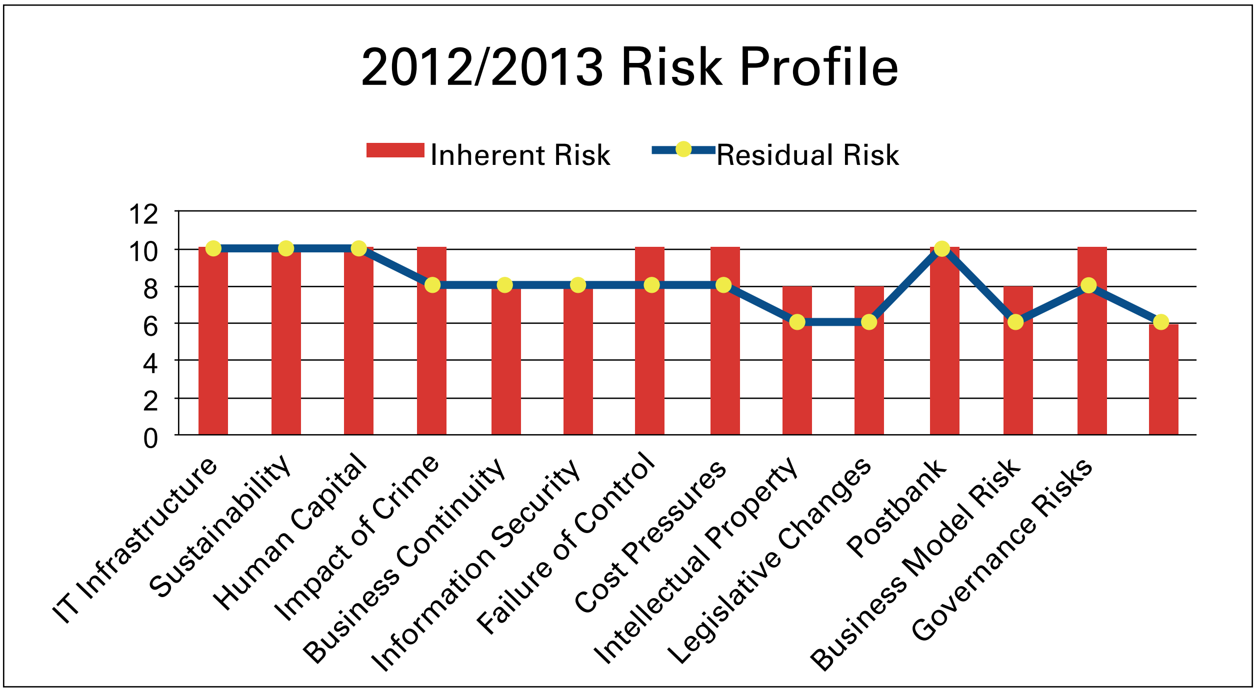
Group 2012/13 risk register

The 2012/13 strategic risk register for the Group has been approved by the Board:

No	Risk	Inherent risk	Control rating	Residual risk
1	IT infrastructure	Very High	Weak	Very High
2	Sustainability	Very High	Weak	Very High
3	Human capital management	Very High	Weak	Very High
4	Impact of crime	Very High	Weak	High
5	Business continuity management	High	Weak	High
6	Information management and security	High	Weak	High
7	Failure of internal control processes	Very High	Weak	High
8	Cost pressures	High	Weak	High
9	Intellectual property	High	Weak	Moderate
10	Changing legislative requirements	High	Weak	Moderate
11	Postbank corporatisation (project risk)	Very High	Satisfactory	Very High
12	Business model risk	High	Satisfactory	Moderate
13	Governance risks	Very High	Weak	High
14	Trading coalitions within SADC	Moderate	Satisfactory	Moderate

2012/13 strategic risk profile

The graph below depicts the inherent and residual risk values:



Compliance

As a SOC and a Schedule 2 public entity, the SA Post Office recognises compliance as an integral part of governance and has established appropriate structures and processes to ensure adequate and effective compliance with statutes, rules and codes.

The company has developed a legislative universe that incorporates crucial legislations that inherently impact the operations of the Group. These legislative aspects are then deployed at business area level and entrenched through the development and implementation of appropriate policies and procedures.

The legislative universe that holds the most significant risk for the Group is the SA Post Office licence requirements of ICASA and, inter alia, the following key legislation:

- PFMA, No 1 of 1999 - Public Entities Schedule 2
- Postal Services Act, No 124 of 1998;
- Banks Act, No 94 of 1990
- Companies Act 71 of 2008
- Consumer Protection Act, No 68 of 2008;
- Financial Advisory and Intermediary Services (FAIS) Act, No 37 of 2002;
- Financial Intelligence Centre Act (FICA), No 38 of 2001;
- Prevention and Combating of Corrupt Activities Act, No 12 of 2004;
- Prevention of Organised Crime Act, No 121 of 1998, and
- Protection of Constitutional Democracy Against Terrorist and Related Activities Act, No 33 of 2004.

Monitoring of compliance is accomplished through independent assessments, and reporting is done regularly to business/support unit management, the Group executive management, the Risk Management Committee and the Board.

The Risk Management Committee and the Group Compliance unit review the adequacy and effectiveness of the Group's procedures to ensure compliance with legal and regulatory responsibilities. The directors are provided with a comprehensive overview of the Group's compliance universe as part of their induction to enable them to understand the laws, rules, and codes of standards required by the company and its business.

Fraud Prevention Strategy and Plan

Overview

South African Post Office Group operates through the retail network, which processes numerous banking and non-banking financial transactions daily, therefore presenting potential opportunities for fraud. To mitigate this risk of fraud, numerous systems of internal controls have been designed and implemented. Furthermore, the Group also operates according to the defined and approved fraud prevention plan (FPP). The Audit Committee considers fraud and error in financial statements.

Postbank

The threat of cyber-crime in Postbank in the previous financial year led to the reinforcement of physical and logical security measures aimed at preventing and/or detecting such incidents. As a result, no cyber-crime incidents were repeated in the 2012/13 financial year.

The effectiveness of the measures is demonstrated in the significant reduction in Postbank-specific fraud to 50% (from 347 to 173 incidents) during 2012/13. The corresponding financial losses dropped by 96%.

Common fraud

There were 79 incidents of common fraud during the period under review, compared to 64 incidents in the previous period - an increase of 22%. However, the corresponding financial loss was 73% lower than in 2011/12 .

Financial misconduct

The identification, prevention and detection of financial misconduct are focal points of the FPP. The plan also extends to the recovery of losses in fraud cases .

During 2012/13, financial misconduct cases, Postbank and common fraud, decreased by 39% from 411 to 252 incidents. The corresponding financial losses dropped by 94% and R28.5 million was recovered.

The following figure illustrates the comparisons between the two periods:

	2011/12 (number of incidents)	2012/13 (numer of incidents)	Variance
Postbank	347	173	56%
Common fraud	64	79	23%
Financial misconduct (Total)	**411**	**252**	**39%**

Business Conduct

The Group has a code of ethical conduct, approved by the Board, which addresses among others, the following:

- Personal conduct;
- Crime prevention;
- Conflict of interest, and
- Acceptance of gifts.

King III Checklist

Principle number	Description	Compliance
Chapter 1: Ethical leadership and corporate citizenship		
1.1	The Board should provide effective leadership based on an ethical foundation.	The SA Post Office Board, as the accounting authority for the SA Post Office Group, is the guardian and custodian of the values and ethics of the Group. The Board is committed to ensuring ethical leadership in the Group, including setting the required tone to ensure that good corporate governance is entrenched, and to increase and create shareholder value by ensuring ethical, legal, and transparent behaviour and for the benefit of all the Group's stakeholders. The Board charter and overall governance framework are important components of the landscape that defines the Group's approach to good corporate governance practice and are further aimed at providing guidance to directors and the Group's stakeholders as to how we approach this crucial issue in the Group. In addition to the Board charter, the SA Post Office Group has a code of conduct, to which all members of the Board, management and employees are required to adhere. The code promotes and enforces ethical business practices. There are also in the Group approved policies and practices aimed at embedding an ethical culture, eg conflict of interest policy and registers, declaration of interest registers, gift registers and anti-money laundering policy.
1.2	The Board should ensure that the company is and is seen to be a responsible corporate citizen.	The Social and Ethics Committee has been established and reports to the Board and the shareholder on the Group's commitment to responsible corporate citizenship. In addition to compliance with King III, the Group has also adopted the principles of the Global Reporting Initiative (GRI), which guide it in its corporate responsibility.
1.3	The Board should ensure that the company's ethics are managed effectively.	The SA Post Office has a code of ethics applicable across the Group, to which all members of the Board, management and employees are required to adhere. The code promotes and enforces ethical business practices. Commitment to ethical management is reflected in the establishment of the Social and Ethics Committee and the initiatives across the Group aimed at embedding and entrenching a highly ethical culture.
Chapter 2: Boards and directors		

Principle number	Description	Compliance
2.1	The Board should act as the focal point for and custodian of corporate governance.	As a Schedule 2 entity in terms of the PFMA No 1 of 1999 (as amended) the Board is the accounting authority for the SA Post Office and is accountable to the Minister of Communications as the executive authority and the shareholder representative. The Board is committed to the highest standards of corporate governance across the Group and to ensuring the Group's compliance with the principles of King III. The Board must ensure that the Group also complies with the Protocol on Good Corporate Governance in State Owned Entities.
2.2	The Board should appreciate that strategy, risk, performance and sustainability are inseparable.	The Board is responsible for aligning the strategic objectives, vision and mission with performance and sustainability considerations. The Board is further responsible to shareholders for creating and delivering sustainable shareholder value through the management of the Group's businesses, in particular in relation to the triple bottom line of social, economic and environmental performance. The Board discharges this responsibility by determining the strategic objectives and policies of the Group so as to deliver such long-term value, providing overall strategic direction within a framework of rewards, incentives and controls. The Board also ensures that management strikes an appropriate balance between promoting long-term sustainable growth and delivering short-term performance. The Group's formalised risk management process takes into account the full range of risks including strategic and operational risk encompassing performance and sustainability.
2.3	The Board should provide effective leadership based on an ethical foundation.	The Board, as the accounting authority, is appointed by the shareholder and is responsible for ensuring that the licence and social mandate are discharged in accordance with principles of ethics and upholding the shareholder's interests. All directors and members of the executive management team are required to formally disclose business interests, other directorships held and possible conflicts of interest in matters considered by the company. The relevant disclosures are made by the Board and management to ensure that all potential conflicts of interest are disclosed and the relevant steps are taken where a potential conflict has been demonstrated or could arise.
2.4	The Board should ensure that the company is and is seen to be a responsible corporate citizen.	The Board adheres to triple bottom line reporting in its annual report and integrated sustainability report, ie people, profit and planet and also reports on corporate social responsibility initiatives and commitment to good corporate citizenry in discharging its social mandate.
2.5	The Board should ensure that the company's ethics are managed effectively.	See 1.3 above.

Principle number	Description	Compliance
2.6	The Board should ensure that the company has an effective and independent audit committee.	See chapter 3 below.
2.7	The Board should be responsible for the governance of risk.	See chapter 4 below.
2.8	The Board should be responsible for IT governance.	See chapter 5 below.
2.9	The Board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	See chapter 6 below.
2.10	The Board should ensure that there is an effective risk-based internal audit.	See chapter 7 below.
2.11	The Board should appreciate that stakeholders` perceptions affect the company's reputation.	See chapter 8 below.
2.12	The Board should ensure the integrity of the company's integrated report.	See chapter 9 below.
2.13	The Board should report on the effectiveness of the company's system of internal controls.	See chapters 7 and 9 below.

Principle number	Description	Compliance
2.14	The Board and its directors should act in the best interests of the company.	The Board acknowledges its role as a trustee on behalf of shareholders and is committed to act consistently in the company's best interests and to uphold the interests of the shareholder when discharging its licence and social mandates. The individual directors and the Board have the following common law duties and fiduciary responsibilities: (a) To exercise powers only within the authority given and in accordance with the company's constitution; (b) To at all times act not only in good faith and honesty, but in the company's best interests, and to promote the success of the company for all its members, whilst considering the likely consequences of any decision in the long-term, the interests of employees, the need to further relationships with suppliers and customers, the impact on the community and the environment, and the need to act fairly as between members of the company; (c) To exercise independent judgement in carrying out their duties; (d) To exercise reasonable care, skill and diligence in carrying out their duties commensurate with their knowledge and experience, and (e) To avoid actual and/or potential conflict of interests between their personal interests and their duties to the company.
2.15	The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed, as defined in the Act.	Business rescue has not been required. However, the Group adheres to the requirements of Section 45 of the Companies Act No 1 of 2008 (as amended) in matters that may affect its solvency and liquidity and those of its subsidiaries.

Principle number	Description	Compliance
2.16	The Board should elect a chairman of the Board who is an independent, non-executive director. The chief executive officer of the company should not also fulfil the role of chairman of the Board.	The Chairperson of the SA Post Office Group is a non-executive director appointed by the Minister. The Chairperson of the Board, George Mothema, was appointed Chairperson and non-executive director with effect from 1 March 2012 and retired on 26 June 2013. the current Acting Chairperson is Dr Hlamalani Manzini. The Group has a CEO, who is an executive director and is also the accounting officer for the Group, accountable to the Board of directors. Christopher Hlekane was appointed Group CEO and executive director on the Board of the SA Post Office with effect from 1 October 2012 and with full delegation of authority from the Board. The roles of the Chairperson and CEO of the Group are distinct and separate. The are two operating subsidiaries in the Group, ie Docex and CFG. The chairpersons of the operating subsidiaries of the SA Post Office Group are non-executive directors appointed by the Board as the shareholder. Nkosinathi Bebeza retired as the non-executive Chairperson of the Board of Docex with effect from 30 September 2012. Getty Simelane was appointed as the interim non-executive Chairperson of the Board with effect from 1 October 2012. Dr Hlamalani Manzini was appointed non-executive Chairperson of the Board of CFG with effect from 1 March 2012. The subsidiaries have an MD, who is an executive director and is also the accounting officer for the subsidiaries and is accountable to the Board. Molefe Mathibe was appointed MD of CFG and Docex and as an executive director on the Board of CFG with effect from 1 October 2005 and on the Board of Docex with effect from 1 June 2007 with full delegation of authority from the respective Boards. The roles of the chairpersons of the subsidiary Boards and that of the MD of the subsidiaries are distinct and separate.

Principle number	Description	Compliance
2.17	The Board should appoint the chief executive officer and establish a framework for the delegation of authority.	The Group has a CEO, who is an executive director and is also the accounting officer for the Group, accountable to the Board. The Group has a formal delegation of authority framework and the delegation of authority for the CEO is reviewed by the Risk Management Committee annually and submitted by the Board to the Minister for approval as part of the review of the Group's materiality and significance framework in accordance with Section 51 of the PFMA. The operating subsidiary companies in the Group have a MD, who is an executive director and is accountable to the Board. The Group has a formal delegation of authority framework that also includes the authority given to the Boards of the Group's operating subsidiaries. The delegation of authority for the subsidiary Boards and the MD are both reviewed by the subsidiaries' Risk Management Sub-committee annually and submitted to the shareholder for approval as part of the review of the Group's materiality and significance framework in accordance with Section 51 of the PFMA.
2.18	The Board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent.	The Board has a majority of independent, non-executive directors. There are eight non-executive directors and three executive directors. The Board has also appointed two independent persons to chair the Audit Committee of its operating subsidiaries and the Board IT Steering Committee.
2.19	Directors should be appointed through a formal process.	The appointment of directors is made by the Minister in terms of the requirements of the SA Post Office Act No 22 of 2011. The Board has established a Nominations Committee to make recommendations to the Minister on the persons to be appointed to the Board.
2.20	The induction and ongoing training and development of directors should be conducted through formal processes.	New appointees to the Board are familiarised with the company through a formal induction programme that includes both the governance aspects and the corporate strategy of the company. Ongoing training is provided for directors through an annual training programme. The directors have also been provided with full membership of the Institute of Directors.
2.21	The Board should be assisted by a competent, suitably qualified and experienced company secretary.	The Group Company Secretary is Bessie Sindile Bulunga: B Proc LLB (University of Durban-Westville) and CPMD (Wits Business School). The Group Company Secretary was appointed by the Board in 2009 after a selection process that included an assessment of the required qualifications, skills and experience. The Group Company Secretary is responsible for the provision of an effective secretariat service to the Group, including its subsidiaries. Her performance is assessed through the Group's formal performance assessment framework and her effectiveness assessed as part of the assessment of the performance and effectiveness of the Board, which is conducted annually by the Institute of Directors.

Principle number	Description	Compliance
2.22	The evaluation of the Board, its committees and the individual directors should be performed every year.	Since 2008, the company has engaged the Institute of Directors to conduct a formal, independent assessment of the performance and effectiveness of the Board as a whole, its committees and the individual directors. The assessment is done through a structured, confidential questionnaire that is completed by the Board members. It includes a Board assessment, committee assessment, self-assessment and peer assessment. It is submitted by the individual directors to the Institute of Directors for collation. The results of the assessment are shared by the Institute of Directors with the Chairperson of the Board, the Board and the individual directors. The Chairperson of the Board evaluates the performance of the Group CEO. The two executive directors - the CFO and the COO – are evaluated quarterly by the CEO in accordance with the Group's performance management and assessment framework. In accordance with principle 3.6, the Audit Committee is also required to assess the competence and performance of the CFO and the Finance division.

Principle number	Description	Compliance
2.23	The Board should delegate certain functions to well-structured committees, but without abdicating its own responsibilities.	The Group Board, as the accounting authority, takes full ownership of overall decision-making across the Group and retains proper direction and control of the Group. The Board has a formal delegation of authority framework agreed to with the Minister. The Board has delegated certain powers to the CEO and to management, but has reserved certain powers exclusively for the Board - these are set out in the Board charter. The Board has also appointed several committees to help it meet these responsibilities. Delegating various functions and authorities to committees and management, however, does not absolve the Board and its directors of their duties and responsibilities. The Board has delegated certain functions without abdicating its own responsibilities to the following committees: • Audit Committee; • Risk Management Committee; • Remuneration and Performance Management Committee; Human Resources and Transformation Committee; • Nominations Committee; • Social and Ethics Committee; • IT Steering Committee; and • Chairpersons' Committee. The Audit and Risk Management Sub-committee has been established as part of the subsidiary Boards, as a sub-committee of the Group Audit Committee.
2.24	A governance framework should be agreed between the Group and its subsidiary Boards.	The relationship between the Group holding company and the subsidiary companies is managed through shareholder agreements concluded between the Boards of the Group holding company and the subsidiary companies. A delegation of authority framework is also in place to regulate the powers given by the Group holding company to the subsidiary companies.

Principle number	Description	Compliance
2.25	Companies should remunerate directors and executives fairly and responsibly.	The Group's Remuneration and Performance Management Committee determines the remuneration policy for executive managers and below in line with the Group's remuneration philosophy and strategy. The total remuneration packages of the executive directors and senior management are reviewed annually and benchmarked against external market data, taking into account the size of the company, its market sector and business complexity. The remuneration of the non-executive directors is determined by the Minister of Communications. An independent bi-annual review of non-executive director remuneration is commissioned by the Board and fees are benchmarked against external market data, taking into account the size of the company, its market sector and business complexity. The Board makes recommendations to the Minister on the appropriate fee structures for non-executive directors.
2.26	Companies should disclose the remuneration of each individual director and certain senior executives.	A detailed remuneration report is contained in the annual report and indicates the remuneration paid to key executives across the Group and the fees paid to non-executive directors for the year.
2.27	Shareholders should approve the company's remuneration policy.	The Group's remuneration policy and variable pay policy is in terms of the current shareholders' compact reviewed annually by the Board and submitted to the Minister for approval.
Chapter 3: Audit Committee		
3.1	The Board should ensure that the company has an effective and independent Audit Committee.	The Group's Audit Committee comprises three non-executive directors and an independent interim chaiperson. Current vacancies with persons with audit and assurance qualifications and/or backgrounds are being filled.
3.2	Audit committee members should be suitably skilled and experienced independent, non-executive directors.	Members of the Audit Committee are non-executive directors appointed by the Minister based on their skills and expertise. An independent interim chairperson has been appointed.
3.3	The audit committee should be chaired by an independent, non-executive director.	The Audit Committee Chairperson position is currently vacant. The committee is as an interim arrangement currently chaired by an independent, non-executive Chairperson.
3.4	The audit committee should oversee integrated reporting.	The Audit Committee oversees integrated reporting.

Principle number	Description	Compliance
3.5	The Audit Committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.	The Audit Committee has asked management to implement the combined assurance model across the Group. A pilot implementation has been concluded in one of the subsidiary companies and the combined assurance model is set to be rolled out across the Group in the current financial year. The Audit Committee oversees the assurance activities to ensure that they are constructed in a coordinated manner.
3.6	The Audit Committee should satisfy itself of the expertise, resources and experience of the company's finance function.	The Audit Committee considers the expertise and resources of the finance function. The Audit Committee reviews the performance of the CFO as part of its oversight responsibilities.
3.7	The Audit Committee should be responsible for overseeing of internal audit.	The Audit Committee reviews and approves the internal audit plan submitted by the Chief Audit Executive (CAE), who is the head of the Group's internal audit function. The CAE reports directly to the Audit Committee and provides a quarterly independent assurance report to the Audit Committee.
3.8	The Audit Committee should be an integral component of the risk management process.	The Group has adopted a risk-based approach to audit. The internal audit report on risk management is submitted quarterly by the CAE to the Risk Management Committee. The Chairperson of the Audit Committee is an ex officio member of the Risk Management Committee and in this role is responsible for reviewing, on behalf of the Audit Committee, the Group's risk approach and the adequacy of the control measures required by the Risk Management Committee.

Principle number	Description	Compliance
3.9	The Audit Committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.	The Audit Committee recommended to the Board and to the shareholder at the annual general meeting the appointment the Group's external auditors, including their reappointment as the external auditors for the current year as required by the PFMA. The Audit Committee oversees the audit process and meets independently with the external auditors on key audit matters, including responses from management on audit matters.
3.10	The Audit Committee should report to the Board and shareholders on how it has discharged its duties.	The Audit Committee formally reports to the Board after each meeting and the report of the Chairperson of the Audit Committee is included in the annual report.
Chapter 4: The governance of risk		
4.1	The Board should be responsible for the governance of risk.	The Risk Management Committee is responsible for overseeing the Group's risk management programme and reporting thereon to the Board, which retains ultimate responsibility for the control and mitigation of risk. The Audit and Risk Management Sub-committee established as part of the subsidiary Board and as a sub-committee of the Group Audit Committee, reports to the subsidiary Board on the management of risk in the subsidiary and the required risk mitigation strategies to be implemented.
4.2	The Board should determine the levels of risk tolerance.	The Risk Management Committee assesses the levels of risk tolerance and limits of risk appetite for the Group.
4.3	The Risk Committee or Audit Committee should assist the Board in carrying out its risk responsibilities.	The Audit Committee and Risk Management Committee have terms of reference that set out their mandates, roles and responsibilities. The Board has delegated the oversight of certain risk and audit matters to the Audit Committee and Risk Management Committee
4.4	The Board should delegate to management the responsibility to design, implement and monitor the risk management plan.	The Board has delegated the day-to-day responsibility for risk management to management, while remaining ultimately responsible for overall risk management across the Group. The responsibility for overseeing the implementation of the Group risk plan and the identified risks has been assigned to the Group Chief Risk Officer, who is required to report to the Risk Management Committee on the steps being taken to manage or mitigate such risks. The various business and support units submit their quarterly operational risk plans for review by the Risk Management Committee. The management reports on the implementation of the annual Group risk management plan are a standing agenda item for the Risk Management Committee.

Principle number	Description	Compliance
4.5	The Board should ensure that risk assessments are performed on a continual basis.	The Board conducts an annual risk assessment and review workshop to identify current and emerging risks facing the company and the relevant risk mitigation strategies to avert and manage the risks. The assessment includes the identification of the top ten risks facing the company, that are monitored by the Risk Management Committee and the Board to ensure that the required control measures are implemented by management and that the risks are managed effectively. Ad hoc assessments are also performed, informed by emerging risks or changes in the corporate plan.
4.6	The Board should ensure that the frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	A risk management framework has been developed for the Group and includes the methodologies to be applied in determining the Group's overall risk exposure and risk rating. An annual risk plan is compiled and submitted to the Board and the shareholder for approval. All risks are identified and steps to mitigate these are outlined, including reasonably unpredictable risks. The top ten strategic risks for the Group are highlighted in the risk register that is tabled at the Risk Management Committee meeting.
4.7	The Board should ensure that management considers and implements appropriate risk responses.	The Risk Management Committee is responsible for ensuring that management has in place and implements appropriate responses to perceived risks. The operational risks plans from management are tabled to the Risk Management Committee to consider the appropriateness of the strategies being implemented by management to address identified risks and/or to mitigate potential/emerging risks.
4.8	The Board should ensure continual risk monitoring by management.	Responsibility for identified risks is assigned to an appropriate member of the Group's senior management team, who is required to report to the Exco on the steps being taken to manage or mitigate such risks.
4.9	The Board should receive assurance regarding the effectiveness of the risk management process.	The Risk and Sustainability Committee is provided with the assurance of the effectiveness of the risk management process from both the internal audit and the external auditors for the Group. The Risk Management Committee has adopted an internal evaluation/ assessment framework on its effectiveness.
4.10	The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	The Group's integrated annual report and corporate plan both include a detailed outline of the risk management process for stakeholders. The Group's quarterly performance report also includes a risk assessment and management report.

Principle number	Description	Compliance
Chapter 5: The governance of information technology		
5.1	The Board should be responsible for IT governance.	The Board understands the importance, relevance and inherent risks of IT and has established an IT Steering Committee to assist the Board to oversee IT governance, including the establishment of the relevant appropriate compliance structures. The Board has approved an IT strategy, which is aligned to the Group's three-year strategic plan and annual corporate plan. The IT Steering Committee oversees required improvements in the overall status of IT governance across the Group and ensures that future platforms will meet strategic business needs and remain competitive. This committee reports on items requiring Board attention and participates in strategy reviews with the Board. The Audit Committee and Risk Management Committee have oversight of selected components of IT governance. IT risk management is aligned to the principal risk framework under operational risk. The Chief Information Officer has direct responsibility for the introduction of a standardised and consistent IT platform across the Group, which is necessary to align the IT infrastructure with the strategy of the Group as well as its performance and sustainability objectives. Management ensures the implementation of an IT governance framework. The IT Steering Committee includes representatives from management. The Group corporate plan includes the IT projects and expenditure required to drive these projects. The annual procurement plan for the Group includes the major IT investments and expenditure. The procurement related to IT investments is considered by the internal Procurement Committee in line with the Group's procurement policy and the corporate plan. Most of the Group's IT projects are long-term projects and regular updates on the progress of IT initiatives are presented to the IT Steering Committee and the Board. These updates include the business case for the proposed IT spend, as well as the status of the implementation of the overall project.

Principle number	Description	Compliance
5.1	The Board should be responsible for IT governance.	The IT Steering Committee oversees and advises the Board on the technical aspects relating to IT investments and expenditure. The Chairpersons' Committee considers recommendations from Exco on IT-related investments and expenditure. The Board makes recommendations to the Minister on significant IT transactions in accordance with the approved materiality and significance thresholds agreed to with the Minister of Communications in terms of the PFMA. The Group risk register includes the key IT risks and the operational risk plans from management include dependencies on IT and associated IT risks. IT risk management is aligned to the principal risk framework under operational risk. The Group has in place a knowledge management framework and the Group asset management policy, which include the management of the Group's information assets and intellectual property.
5.2	IT should be aligned with the performance and sustainability objectives of the company.	The IT strategy is informed by the objectives of the company. The strategy has been approved and being implemented
5.3	The Board should delegate to management the responsibility for the implementation of an IT governance framework.	The IT governance framework still needs to be presented and approved by Board. Once approved, it can then be implemented.
5.4	The Board should monitor and evaluate significant IT investments and expenditure.	The IT Steering Committee oversees and advises the Board on all IT investments and expenditures.
5.5	IT should form an integral part of the company's risk management.	IT has representation on the Board Risk Committee. The CIO sits on the committee and any risk emanating from the IT environment are highlighted through this structure.
5.6	The Board should ensure that information assets are managed effectively.	The IT Steering Committee oversees and advises the Board on the security and management of all information assets
5.7	A Risk Committee and Audit Committee should assist the Board in carrying out its IT responsibilities.	The Audit Committee and Risk Management Committee include in their annual plans the audit and risk issues relating to IT and assist the IT Steering Committee by providing assurance on the effectiveness of IT controls.

Principle number	Description	Compliance
Chapter 6: Compliance with laws, codes, rules and standards		
6.1	The Board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	The Risk Management Committee and the Group Compliance Unit review the adequacy and effectiveness of the Group's procedures to ensure compliance with legal and regulatory responsibilities. A Group Compliance Officer assists in this role and is assisted by regional compliance officers across the Group.
6.2	The Board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business.	The directors are provided with a comprehensive overview of the Group's compliance universe as part of their induction, to enable them to understand the applicable laws, rules and codes of standards required by the company and its business. The Group compliance scorecard and quarterly report are tabled to the Risk Management Committee and include new legislative requirements informed by emerging or new laws with which the Group is/will be required to comply.
6.3	Compliance risk should form an integral part of the company's risk management process.	Compliance, including the cost of compliance and non-compliance, has been identified as a significant risk given the complex legislative and compliance universe with which the Group is required to comply. Compliance is addressed as part of the risk management process and the Group compliance scorecard is a standing agenda item for the Risk Management Committee.
6.4	The Board should delegate to management the implementation of an effective compliance framework and processes.	The Group Compliance Unit headed by a Group Compliance Officer is in place. The Group compliance charter and the Group's annual compliance plans have been developed and are reviewed and approved by the Board annually. Quarterly compliance reports against the annual Group compliance plan are tabled and reviewed by the Risk Management Committee on behalf of the Board. An automated compliance monitoring system will be implemented across the Group during the 2013/14 financial year.

Principle number	Description	Compliance
Chapter 7: Internal risk		
7.1	The Board should ensure that there is an effective risk-based internal audit.	The Group has adopted a risk-based approach to audit. An independent internal audit function is headed by the Chief Audit Executive.
7.2	Internal audit should follow a risk-based approach to its plan.	The internal audit plan is reviewed and approved by the Audit Committee annually. It is risk based and aligned to the overall annual risk plan for the Group.
7.3	Internal audit should provide a written assessment of the effectiveness of the company's system of internal control and risk management.	A written assessment of the effectiveness of the company's system of internal control and risk management is provided by the Chief Audit Executive to the Audit Committee and the Risk Management Committee quarterly. The document contains an assessment and opinion of the internal audit on the effectiveness of the risk management processes across the Group, the adequacy of the system of internal controls and required improvements in the control environment.
7.4	The Audit Committee should be responsible for overseeing internal audit.	The Audit Committee is responsible for overseeing the internal audit. The Chief Audit Executive reports directly to the committee and meets independently with its chairperson to discuss the internal audit findings and other assurance-related matters.
7.5	Internal audit should be strategically positioned to achieve its objectives.	Internal audit is independent, with no material breakdowns, enabling it to achieve its objectives. The Chief Audit Executive reports directly to the Audit Committee.

Principle number	Description	Compliance
Chapter 8: Governing stakeholder relations		
8.1	The Board should appreciate that stakeholders' perceptions affect a company's reputation.	The SA Post Office recognises that developing and nurturing positive relationships with its significant stakeholders are key drivers of success that inform business strategy and enable the Group to better understand and address the impact of its activities on society. The Board and management of the Group is committed to ensuring that its business practices do not affect its reputation and to conducting employee/customer/stakeholder perception surveys to gauge how it is viewed by its stakeholders and to better address their needs and concerns. The Group has a stakeholder management strategy as part of its communications strategy aimed at managing the perceptions and reputational issues that may affect the company.
8.2	The Board should delegate to management the role of proactively dealing with stakeholder relationships.	Management is responsible for managing and maintaining stakeholder relations through its various units, ie Communications, Public Affairs, Marketing etc. The communications strategy includes a stakeholder management strategy to assist management to manage stakeholder relations. A call centre is in place to enable management to resolve such issues proactively and speedily. A crime reporting hotline has been set up to encourage anonymous reporting of crime by employees and to enable management to act on possible transgressions proactively and speedily. Management has set up structures with the recognised trade unions in the Group to discuss and address labour-related matters.
8.3	The Board should strive to achieve the appropriate balance between its various stakeholder Groupings, in the best interests of the company.	The Board and management continuously engage with stakeholders at various levels and through various platforms to address stakeholder needs and to ensure balance between the interests of stakeholder Groupings and the continued growth and sustainability of the Group.
8.4	Companies should ensure the equitable treatment of shareholders.	The Board ensures the equitable treatment of shareholders through its stakeholder engagement strategy and through recognising and acknowledging its statutory duties and stakeholder responsibilities.

Principle number	Description	Compliance
8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	The company has a comprehensive stakeholder engagement process in place and communicates with stakeholders in various ways, eg (a) Staff bulletins; (b) Electronic newsletters to staff; (c) Roadshows; (d) Customer notices at branches/outlets; (e) Reports to Parliament; (f) Report to the Minister (Ad hoc, quarterly and annually); (g) Media articles and adverts, and (h) Annual report etc.
8.6	The Board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.	The Board has adopted various dispute resolution mechanisms to ensure the speedy resolution of disputes both internally and externally, inter alia,: (a) Disciplinary code and procedure, and (b) Alternative dispute resolution mechanisms in terms of the Companies Act.
Chapter 9: Integrated reporting and disclosure		
9.1	The Board should ensure the integrity of the company's integrated report.	The Board is responsible for the integrity of the integrated annual report. The annual report is discussed by the relevant Board committees and the audited annual financial statements are reviewed by the Audit Committee on behalf of the Board, before approval. The final integrated report is approved by the Board and the directors' report is signed by the Chairperson of the Board and the Group CEO on behalf of the Board.
9.2	Sustainability reporting and disclosure should be integrated with the company's financial reporting.	The company's vision and mission statements, strategic objectives and value system are integrated into all policies, procedures, decision-making and operations, with sustainability the ultimate objective. The Group's reporting provides evidence that sustainable reporting and disclosure is integrated with the Group's financial reporting.
9.3	Sustainability reporting and disclosure should be independently assured.	A review of the integrated annual report for consistency was conducted by the external auditors.

Schedule of meeting attendance

The Board and subsidiary Board Committees meet on pre-arranged dates at least four times a year and at other times as deemed necessary by the Chairperson. The Board holds annual workshops at least twice a year to review the group's business strategy and to conduct the group annual risk assessment.

The schedule of attendance at meetings of the Board, Committees and subsidiary Boards is set out below:

Attendance at SA Post Office Board Meetings for the year 1 April 2012 to 31 March 2013

NAME	2012										
	05/04	18/05	20/05	21/06	26/06	23/07	03/08	13/09	21/09	10/10	10/12
GN Mothema [10]	✓	✓	✓	✓	✓	✓	✓	✓	✓	X	✓
NCS Bebeza [1]	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A	N/A
SEO Dietrich [2]	✓	X	✓	X	X	N/A	N/A	N/A	N/A	N/A	N/A
N Kela	✓	✓	✓	✓	✓	✓	✓	X	✓	✓	✓
Dr HN Manzini	✓	✓	✓	X	✓	X	✓	✓	✓	X	X
N Mthethwa	✓	✓	✓	✓	✓	✓	✓	✓	✓	X	✓
TC Ngcobo	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Adv LP Nobanda [1]	✓	✓	✓	✓	✓	✓	✓	✓	X	N/A	N/A
MS Patel	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
K Sicwebu	✓	✓	✓	✓	✓	✓	✓	✓	X	✓	✓
G Simelane	✓	N/A	X	✓	✓	X	✓	X	✓	✓	✓
R Sishuba	✓	✓	X	✓	✓	✓	✓	✓	✓	✓	✓
CJ Hlekane [3]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	✓	✓	✓
K Mzozoyana [4]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
S Adam	✓	✓	N/A	✓	✓	N/A	✓	✓	✓	✓	✓
NJD Buick [5]	✓	✓	N/A	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A
JM Mathibe [6]	N/A	N/A	N/A	✓	✓	N/A	✓	✓	✓	N/A	N/A
P Mangrey [7]	N/A	N/A	N/A	✓	✓	N/A	✓	✓	✓	✓	N/A
T Mashanda [8]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	✓
BE Yafele [9]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

NAME	2013						TOTAL
	16/01	30/01	18/02	26/02	06/03	20/03	
GN Mothema[10]	✓	✓	✓	✓	✓	✓	**16**
NCS Bebeza [1]	N/A	N/A	N/A	N/A	N/A	N/A	**9**
SEO Dietrich [2]	N/A	N/A	N/A	N/A	N/A	N/A	**2**
N Kela	✓	✓	✓	✓	✓	✓	**16**
Dr HN Manzini	✓	✓	X	✓	✓	✓	**12**
N Mthethwa	✓	✓	✓	✓	✓	✓	**16**
TC Ngcobo	✓	✓	✓	✓	✓	✓	**17**
Adv LP Nobanda [1]	N/A	N/A	N/A	N/A	N/A	N/A	**8**
MS Patel	✓	✓	✓	✓	✓	✓	**17**
K Sicwebu	✓	✓	X	✓	✓	✓	**15**
G Simelane	✓	✓	✓	✓	✓	X	**12**
R Sishuba	✓	✓	X	✓	✓	✓	**15**
CJ Hlekane [3]	✓	✓	✓	✓	✓	X	**8**
K Mzozoyana [4]	✓	✓	✓	✓	✓	✓	**6**
S Adam	✓	✓	✓	✓	N/A	N/A	**13**
NJD Buick [5]	N/A	N/A	N/A	N/A	N/A	N/A	**4**
JM Mathibe [6]	N/A	N/A	N/A	N/A	N/A	N/A	**5**
P Mangrey [7]	N/A	N/A	N/A	N/A	N/A	N/A	**6**
T Mashanda [8]	✓	✓	N/A	N/A	N/A	N/A	**3**
BE Yafele[9]	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Legend:-	✓	=	Present
	X	=	Absent with apology
	1	=	Retired 30 September 2012
	2	=	Retired 3 July 2012
	3	=	Appointed 1 October 2012 Group CEO
	4	=	Appointed 1 January 2013 Group CFO
	5	=	Retired 30 June 2012 Acting Group CEO and Acting Group CFO
	6	=	Appointed Acting Group CEO 1 June 2012 and retired 30 September 2012
	7	=	Appointed Acting Group CFO 1 July 2012 and retired 31 October 2012
	8	=	Appointed Interim CFO 15 November 2012 and retired 31 December 2012
	9	=	Appointed Acting COO 9 May 2013
	10	=	Retired 26 June 2013
	N/A	=	Meeting not applicable to Director

Committtees of the Board

Attendance at Audit Committee meetings for the year 1 April 2012 to 31 March 2013

NAME	2012							2013	TOTAL
	25/05	30/05	19/07	26/07 *	30/07 *	08/11	29/11	14/03	
SEO Dietrich [1]	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	**2**
H Daniels [2]	N/A	N/A	✓	✓	✓	✓	✓	✓	**6**
K Sicwebu	✓	✓	✓	✓	✓	✓	✓	X	**7**
G Simelane	✓	✓	✓	X	✓	✓	X	✓	**6**
R Sishuba	✓	✓	✓	✓	✓	✓	✓	✓	**8**
NCS Bebeza [3]	N/A	N/A	N/A	✓	N/A	N/A	N/A	N/A	**1**
Dr HN Manzini *	N/A	N/A	N/A	✓	✓	N/A	N/A	N/A	**2**
N Mthethwa *	N/A	N/A	N/A	✓	✓	N/A	N/A	N/A	**2**
TC Ngcobo *	N/A	N/A	N/A	✓	✓	N/A	N/A	N/A	**2**
MS Patel *	N/A	N/A	N/A	✓	✓	N/A	N/A	N/A	**2**

Legend:-
✓ = Present
X = Absent with apology
* = Joint SA Post Office Audit and Logistics Audit Committee
1 = Retired 3 July 2012
2 = Interim SA Post Office Audit Committee Chairperson from 15 July 2012
3 = Retired 30 September 2012
N/A = Meeting not applicable to Director

Attendance at Risk Management Committee meetings for the year 1 April 2012 to 31 March 2013

NAME	2012		TOTAL
	29/05	28/09	
R Sishuba	✓	✓	**2**
H Daniels [1]	N/A	✓	**1**
SEO Dietrich [2]	✓	N/A	**1**
K Sicwebu	✓	X	**1**

Legend:-
✓ = Present
X = Absent with apology
1 = Interim SA Post Office Audit Committee Chairperson from 15 July 2012
2 = Retired 3 July 2012
N/A = Meeting not applicable to Director

Attendance at Remuneration and Performance Management Committee meetings for the year 1 April 2012 to 31 March 2013

NAME	2012			TOTAL
	18/05	30/05	15/08	
GN Mothema [2]	✓	✓	✓	**3**
N Kela	✓	✓	X	**2**
TC Ngcobo [1]	✓	✓	✓	**3**
G Simelane	X	✓	✓	**2**

Legend:-	✓	=	Present
	X	=	Absent with apology
	1	=	Resigned 31 March 2013
	2	=	Retired 26 June 2013

Attendance at Human Resources and Transformation Committee meetings for the year 1 April 2012 to 31 March 2013

NAME	**2012**					**2013**		**TOTAL**
	15/05	**12/06**	**17/07**	**19/09**	**30/10**	**28/01**	**13/03 ***	
N Kela	✓	✓	✓	✓	✓	✓	✓	**7**
NCS Bebeza [1]	✓	✓	✓	✓	N/A	N/A	N/A	**4**
Dr HN Manzini	✓	✓	✓	X	N/A	X	✓	**4**
N Mthethwa	✓	✓	✓	✓	✓	✓	✓	**7**
G Simelane	N/A	N/A	N/A	N/A	N/A	✓	✓	**2**
TC Ngcobo [2]	N/A	N/A	N/A	N/A	N/A	N/A	✓	**1**

Legend:-	✓	=	Present
	X	=	Absent with apology
	*	=	Joint HRTC and RemCom meeting
	1	=	Retired 30 September 2012
	2	=	Retired 31 March 2013
	N/A	=	Meeting not applicable to Director

Attendance at Postbank Committee meetings for the year 1 April 2012 to 31 March 2013

NAME	2012			2013	TOTAL
	04/07	12/09	15/11	28/02	
N Mthethwa	✓	✓	✓	✓	4
B Bothma [1]	✓	X	X	N/A	1
Dr HN Manzini	✓	✓	✓	X	3
Adv LP Nobanda [2]	✓	✓	N/A	N/A	2
K Sicwebu [3]	✓	✓	✓	✓	4
S Adam	✓	✓	✓	✓	4

Legend:-
✓ = Present
X = Absent with apology
1 = Independent member of the Postbank Committee, retired 21 January 2013
2 = Retired 30 September 2012
3 = Retired 31 March 2013
N/A = Meeting not applicable to Director

Attendance at Social and Ethics Committee meetings for the year 1 April 2012 to 31 March 2013

NAME	2012		2013	TOTAL
	31/08	25/10	12/03	
Mr MS Patel	✓	✓	✓	3
Mr NCS Bebeza [1]	✓	X	X	1
Ms K Sicwebu	✓	✓	✓	3
Ms G Simelane	✓	✓	✓	3

Legend:-
✓ = Present
X = Absent with apology
1 = Retired 30 September 2012

Attendance at Nomination Committee meetings for the year 1 April 2012 to 31 March 2013

NAME	2012									TOTAL
	30/05	13/06	11/07	07/08	15/08	04/09	14/09	02/10	05/11	
Mr G Mothema[3]	✓	✓	✓	✓	✓	✓	✓	✓	✓	**9**
Mr SEO Dietrich[1]	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	**2**
Ms N Kela	✓	✓	✓	✓	✓	✓	✓	✓	✓	**9**
Ms N Mthethwa	N/A	✓	✓	✓	✓	✓	✓	✓	N/A	**7**
Adv LP Nobanda [2]	N/A	✓	✓	✓	✓	✓	✓	✓	N/A	**7**
Ms G Simelane	✓	✓	✓	✓	✓	✓	✓	✓	✓	**9**

Legend:-	✓	=	Present
	X	=	Absent with apology
	1	=	Retired 3 July 2012
	2	=	Retired 30 September 2012
	3	=	Retired 26 June 2013
	N/A	=	Meeting not applicable to Director

Attendance at IT Steering Committee meetings for the year 1 April 2012 to 31 March 2013

NAME	2012	2012	2012	2013	TOTAL
	12/07	23/08	19/11	07/02	
Mr N Ndhlela[1]	✓	✓	✓	✓	**4**
Mr TC Ngcobo[2]	✓	✓	✓	✓	**4**
Mr MS Patel	✓	✓	✓	✓	**4**
Mr R Sishuba	✓	✓	✓	✓	**4**

Legend:-	✓	=	Present
	1	=	Appointed Independent Chairperson of the IT Steering Committee with effect from 1 July 2012
	2	=	Retired 31 March 2013

Attendance at Chairpersons' Committee meetings for the year 1 April 2012 to 31 March 2013

NAME	2012			2013	TOTAL
	31/05	20/09	05/12	18/03	
GN Mothema [10]	✓	✓	✓	✓	**4**
NCS Bebeza [1]	✓	✓	N/A	N/A	**2**
SEO Dietrich [2]	✓	N/A	N/A	N/A	**1**
N Kela	X	✓	✓	✓	**3**
Dr HN Manzini	✓	X	✓	X	**2**
N Mthethwa	✓	X	✓	✓	**3**
Adv LP Nobanda [3]	✓	X	N/A	N/A	**1**
MS Patel	✓	✓	✓	✓	**4**
G Simelane [9]	N/A	N/A	✓	✓	**2**
R Sishuba	✓	✓	✓	✓	**4**
TC Ngcobo [4]	N/A	✓	N/A	N/A	**1**
H Daniels [5]	N/A	✓	X	✓	**2**
N Ndhlela [6]	N/A	✓	✓	✓	**3**
CJ Hlekane [7]	N/A	N/A	✓	X	**1**
JM Mathibe [8]	N/A	✓	N/A	N/A	**1**

Legend:-			
	✓	=	Present
	X	=	Absent with apology
	1	=	Retired 30 September 2012
	2	=	Retired 3 July 2012
	3	=	Retired 30 September 2012
	4	=	By invitation, retired 31 March 2013
	5	=	Interim Chairperson of SA Post Office Audit Committee with effect from 15 July 2012 and Independent Chairperson of the Audit Logistics Committee
	6	=	Appointed Independent Chairperson of the IT Steering Committee with effect from 1 July 2012
	7	=	Appointed 1 October 2012 (Group CEO)
	8	=	Appointed Acting Group CEO 1 June 2012 and retired 30 September 2012
	9	=	Interim Chairperson of the Document Exchange Group with effect from 1 October 2012
	10	=	Retired 26 June 2013
	N/A	=	Meeting not applicable to Director

Subsidiary Companies

Attendance at the Courier and Freight Group Board Meetings for the year 1 April 2012 to 31 March 2013

NAME	2012					2013		TOTAL
	09/05	25/07	30/07	06/09	06/11	24/01	06/03	
Dr HN Manzini	✓	✓	✓	✓	✓	✓	✓	**7**
TC Ngcobo	✓	✓	✓	✓	✓	✓	✓	**7**
MS Patel	✓	✓	✓	✓	✓	✓	✓	**7**
JM Mathibe ** 1	✓	✓	✓	✓	✓	✓	✓	**7**
CJ Hlekane [2]	N/A	N/A	N/A	N/A	✓	✓	✓	**3**
NJD Buick [3]	**X**	N/A	N/A	N/A	N/A	N/A	N/A	**0**
N Dube [4]	N/A	✓	✓	✓	N/A	N/A	N/A	**3**
H Daniels [5]	N/A	N/A	N/A	N/A	N/A	✓	N/A	**1**
P Mangrey [6]	**X**	✓	✓	✓	N/A	N/A	N/A	**3**
K Mzozoyana [7]	N/A	N/A	N/A	N/A	N/A	✓	✓	**2**

Legend:-			
	✓	=	Present
	X	=	Absent with apology
	**	=	Executive Director
	1	=	Appointed Acting Group CEO 1 June 2012 and retired 30 September 2012 Re-appointed MD: CFG 1 October 2012
	2	=	Appointed 1 October 2012 Group CEO and non-executive Director CFG
	3	=	Retired 30 June 2012 Acting Group CEO and Acting Group CFO
	4	=	Appointed Acting MD: CFG 1 June 2012 and retired 30 September 2012
	5	=	By invitation
	6	=	Appointed Acting Group CFO 1 June 2012 and retired 31 October 2012
	7	=	Appointed 1 January 2013 Group CFO and non-executive Director CFG
	N/A	=	Meeting not applicable to Director

Attendance at the Document Exchange Group Board Meetings for the year 1 April 2012 to 31 March 2013

NAME	2012				2013	TOTAL
	09/05	25/07	30/07	06/09	06/03	
NCS Bebeza [1]	✓	✓	✓	✓	N/A	**4**
G Simelane [9]	N/A	N/A	N/A	N/A	✓	**1**
PA Papadopulo [2]	✓	✓	N/A	N/A	N/A	**2**
N Mthethwa	✓	✓	✓	✓	✓	**5**
R Sishuba	✓	✓	✓	✓	✓	**5**
NJD Buick [3]	X	N/A	N/A	N/A	N/A	**0**
JM Mathibe [4]	✓	✓	✓	✓	✓	**5**
P Mangrey [5]	N/A	✓	✓	✓	N/A	**3**
N Dube [6]	N/A	✓	✓	✓	N/A	**3**
CJ Hlekane [7]	N/A	N/A	N/A	N/A	✓	**1**
K Mzozoyana [8]	N/A	N/A	N/A	N/A	✓	**1**
BE Yafele [10]	N/A	N/A	N/A	N/A	N/A	N/A

Legend:-			
	✓	=	Present
	X	=	Absent with apology
	1	=	Retired 30 September 2012
	2	=	Independent member of Docex, retired 25 July 2012
	3	=	Retired 30 June 2012 Acting Group CEO and Acting Group CFO
	4	=	Appointed Acting Group CEO 1 June 2012 and retired 30 September 2012 Appointed Acting MD Docex 1 October 2012 Re-appointed MD CFG 1 October 2012
	5	=	Appointed Acting Group CFO 1 June 2012 and retired 31 October 2012
	6	=	Appointed Acting MD: CFG 1 June 2012 and retired 30 September 2012
	7	=	Appointed 1 October 2012 Group CEO
	8	=	Appointed 1 January 2013 Group CFO
	9	=	Appointed 1 October 2012
	10	=	Appointed Acting COO 9 May 2013
	N/A	=	Meeting not applicable to Director

Attendance at the Logistics Audit and Risk Sub-Committee Meetings for the year 1 April 2012 to 31 March 2013

NAME	2012				2013	TOTAL
	22/05	11/07	29/08	18/10	27/02	
H Daniels [1]	✓	✓	✓	✓	✓	**5**
N Mthethwa	✓	✓	✓	✓	✓	**5**
TC Ngcobo	✓	✓	✓	✓	✓	**5**
R Sishuba	N/A	✓	✓	✓	✓	**4**
Adv LP Nobanda [2]	X	N/A	N/A	N/A	N/A	**0**
NJD Buick [3]	X	N/A	N/A	N/A	N/A	**0**
JM Mathibe [4]	✓	✓	✓	✓	✓	**5**
N Dube [5]	N/A	✓	✓	N/A	N/A	**2**
P Mangrey [6]	N/A	✓	✓	✓	N/A	**3**
K Mzozoyana [7]	N/A	N/A	N/A	N/A	✓	**1**

Legend:-			
	✓	=	Present
	X	=	Absent with apology
	1	=	Independent Non-executive Director
	2	=	Retired 30 September 2012
	3	=	Retired 30 June 2012 Acting Group CEO and Acting Group CFO
	4	=	Appointed Acting Group CEO 1 June 2012 and retired 30 September 2012
	5	=	Appointed Acting MD: CFG 1 June 2012 and retired 30 September 2012
	6	=	Appointed Acting Group CFO 1 June 2012 and retired 31 October 2012
	7	=	Appointed 1 January 2013 Group CFO
	N/A	=	Meeting not applicable to Director

Advisory Committee to the Minister of Communications

Stamp Advisory Committee

This is an advisory committee established to advise the Minister of Communications on the South African annual stamp issue programme and related issues. The committee is made up of specialists in philately, representatives from the Department of Communications and a representative from the SA Post Office Board.

The committee meets twice a year and ad-hoc if required. There were no meetings for the Stamp Advisory Committee for the year 1 April 2012 to 31 March 2013.

Bloemfontein Post Office

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Operational Overview

Operational Overview

Mail Business

The core functions of Mail Business includes the collection, processing and delivering of all mail items and parcels within specified time-frames.

Mail Business continues to be the key revenue generator for the SA Post Office, contributing 70% of revenue. It experienced a decline of approximately 4.3% in mail volumes, with revenue declining by 0.09% compared to the previous year. The effect of the strikes during the year was felt on most products, with bulk mail being the most significantly affected.The impact of the four strikes in 12 months played a significant role in the unit missing the revenue budget and service delivery mandate to customers.

The competitive environment is becoming increasingly sophisticated, with constant changes in the way customers communicate. In transforming the business unit, strategic changes are necessary to address key challenges such as integration of operational units and elimination of redundancies in processing facilities.

During strategic planning for Mail Business, it was resolved to adopt a systematic approach that will immediately seek to grow the business, improve on innovation and deliver value to our clients.

Operations:

Key performance indicators:

Indicator	Target	Performance
Mail volumes	1.7%	(4.3%)
Quality service (service delivery standards)	95%	92%
Address expansion	1 195 690	1 201 263

The first South African Postal Operators Association (SAPOA) forum was held in Durban from 12 – 14 February 2013. It was attended by senior management from postal administrations in southern Africa.

The opportunity was presented to attend a three-hour workshop on philately. Some 20 delegates, including the CEOs of Mozambique Post and Botswana Post, participated. Presentations and discussions covered the following topics:

- The strategic importance of stamps;
- Designing a stamp (by Marcus Neustetter and Rachel-Mari Ackermann);
- Sales/marketing/public relations of stamps, and
- Printing stamps (by Paul Meijboom, Sales Manager: JohEnschedé Security Print, Netherlands).

New stamp issues

The SA Post Office issued stamps to commemorate the Gift of the Givers and Rescue South Africa. The stamp launch for the Gift of the Givers took place on 22 February 2013 in Johannesburg and the audience included a delegation of medical practitioners from Taiwan.

Postbank

Highlights

- Through Postbank, the SA Post Office obtained a VISA licence
- Deposits increased by 5.5%
- Customer accounts increased from 6.9 to 7.3 million

Postbank's financial performance for the year ended 31 March 2013 reflected the impact of the repo rate being at its lowest levels for many years, with net interest income decreasing to R231m from R249m in the previous financial year. Net fee and commission income of R314m (2012: R332m) reflected the loss of the SASSA tender.

Postbank deposits due to the public increased by 5.5% to R4.492bn (2012: R4.258bn) driven by an increase in savings account balances, and investments increased 6% to R6.226bn (2012: R5.870bn). The number of customer accounts increased to R7.3 m (2012: R6.9 m).

The SA Post Office, through the Postbank division, obtained a VISA licence and full membership of the Payments Association of South Africa during the year under review.

Postbank continues to make good progress towards corporatisation and intends to apply for a banking licence in parallel with the legislative amendment process.

The division will implement several significant initiatives to meet the requirements of the Banks Act, including company registration process, upgrading the core banking system, implementing risk management systems and processes, and hiring additional skilled banking staff. National Treasury has made funding available for these initiatives, which will enable Postbank to focus on financial inclusion through the provision of simple, affordable and accessible financial products and services - in terms of its mandate in the Postbank Act.

This objective makes it necessary to review the current product offering and planned product releases and also to broaden channels. The synergy between Postbank and the SA Post Office continues to enhance favourably the corporatisation proposition of Postbank as a stand-alone subsidiary of the SA Post Office. This also aligns to the Group's diversification strategy in the face of the global trend of declining mail volumes and increasing competition in the financial services industry from non-traditional financial services operators such as retail chains.

Postbank continues to strive to be regarded as a preferred financial services partner to the government in order to enhance government-to-citizen services.

Retail

Highlights

- The Retail division opened 50 additional outlets during the financial year
- A total of 3 million motor vehicle licences were renewed at branches of the SA Post Office during the financial year
- Innovative new ways of avoiding traditional brick-and-mortar structures allow the SA Post Office to open branches at a lower cost than usual
- Mobile post offices make it possible to reach remote communities

The Retail division is the primary channel for the SA Post Office through which customers can access the products and services offered by the company. The company's branch network has 2 486 access points, which makes it the largest footprint in the country.

In the year under review, *66 million customers visited its outlets. The service offering varies from company-owned products and services to services that the SA Post Office provides on behalf of other entities, including government departments and private companies. In the Eastern Cape, Gauteng, Limpopo and KwaZulu-Natal, vehicle owners can renew their motor vehicle licences at selected post offices and 3 million licences were renewed at branches during the financial year.

Customers can also pay their water and electricity bills at SA Post Office branches where there is an agreement with the local municipality to accept payment. Monthly short-term insurance premiums for a number of insurance companies can also be paid at SA Post Office branches.

Improving access

As part of the operating licence condition, the SA Post Office is required to establish 50 new access points annually. The exorbitant costs of putting up brick-and-mortar structures has prompted the company to explore more cost-effective means of providing access to communities in certain areas. One route is mobile post office units that enable the company to reach communities in remote rural areas.

In the year under review, 50 new access points were established, comprising 17 fully fledged branches, 3 mobile post offices and 30 retail postal agencies. A total of 21 post office buildings were renovated to improve the trading environment.

Customer service excellence

The Retail division has initiated a number of projects to improve customer service. The recognition and reward programme acknowledges individual employees and branches that excel in customer service. The division has also introduced customer service excellence roadshows focusing on branch managers. In addition, a new point-of-sale system is being rolled out to enhance customer services.

Business partnership initiative

In the quest to provide a wider range of services through the branch network, the SA Post Office entered into service agreements with the following service providers and companies during the year under review:

- 8ta Telkom (prepaid airtime);
- Umzinyathi District Municipality;
- Mookgophong Municipality;
- Prosperity Funeral Advisors;
- Pioneer Funeral Advisors, and
- Govan Mbeki Municipality.

The clients of these companies may now pay their accounts or premiums at their nearest post office.

*This number refers to new customers as well as returning customers.

Logistics

Highlights

- SA Post Office Logistics delivered 1.8 million inserts about the national budget to newspapers in all major cities. This was done within the embargo timeline and under strict security measures
- Partnerships formalised with postal administrations in other SADC countries. This allows the SA Post Office Logistics to use the distribution network of these administrations
- Partnered with the Lusitoland project to invest in education facilities for differently abled children

The Logistics division continues to leverage the expanding postal and retail network, its infrastructure and opportunities offered by an increasingly changing environment. This enables the division to be a provider of choice, not only for government, but for customers who need to reach all corners of South Africa.

In light of the current economic and competitive climate, the SA Post Office Logistics has developed a plan of key business interventions. The plan is being rolled out and is on track to stabilise the Logistics business and position the division for future growth as an instrument in the delivery of the Group's goals.

The following key initiatives underpin this plan:

- Integration of parcel business within logistics, which is already well advanced and is expected to be pinned down in the next financial year. This integrated unit will realise increased synergies that will be more focused, not only on reliable delivery but on developing customised solutions.
- Group transport consolidation scheduled to begin early in the new financial year. The consolidated transport infrastructure will eliminate inefficiencies which, in turn, will improve delivery standards. This combined network will also ensure that the unit obtains the maximum benefit from its assets and maximises group income.
- PX container recapitalisation and repositioning, which addressed the key customer requirement of delivery of goods to their destinations in their original condition. The PX container serves this need very well and the recapitalisation project will ensure that the condition and appearance of the container support this promise. The container is seen as a moving warehouse and an essential element in making the public aware of the brand.
- Systems upgrade and development, which will reduce the time taken by Logistics units to respond to changing market conditions and expectations by introducing modern logistics systems. These systems will also enable the logistics division to venture into new markets.
- E-Docex: Docex is developing capabilities and establishing long-term partnerships with service providers to migrate their processes to new technology platforms and migrating customers to new solutions that will meet their expectations.
- Strengthening and growing existing partnerships. SADC regional partners will be key allies as the SA Post Office Logistics continues to move into the international arena.

2012/13 performance highlights

The Logistics division continued its partnership with various government departments, playing a crucial part in the fulfilment of their mandates in the past financial year. Successes included:

- National distribution of the 2013 budget speech brochures for the South African Revenue Service (SARS) and National Treasury combined. This was achieved in the embargo timeline that called for full police and SARS security escorts at all times.
- Distributed secondary school exam papers with the necessary security measures to ensure confidentiality.
- Formalised partnerships with postal administrations in other SADC countries.
- Monthly delivery of the Government Communication and Information

Services (GCIS) Vukuzenzela magazine in bulk to 175 points.

- GCIS SA Yearbook was delivered to schools, libraries, embassies, contributors and tourist centres etc.
- Department of Education – national annual delivery to schools for specific grades and focused projects. The division completed the delivery of schoolbooks in the Northern Cape province before schools opened for the 2013 academic year.
- Lusitoland festival - supplied 89 PX containers to the exhibitors with extensive branding. The 2012 festival drew more than 150 000 people.
- The SA Post Office Logistics division partnered with Radio Good Hope for its winter warmth campaign to collect and distribute blankets to needy people. PX provided containers into which members of the public left blankets to be transported to distribution points.

Outlook

In the 2013/14 financial year, the SA Post Office Logistics aims to stabilise the business by recapturing some lost ground, while focusing on new markets to grow the business. Government business will remain a primary focus. The measures above will remain its core operational basis, with the integrated logistics business launching the offensive.

South African Post Office

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Sustainability

Sustainability

Environmental Sustainabilty

Material

The SA Post Office uses paper diversely for its services. Hybrid mail plays a major role in paper consumption to print mail items for its clients and office paper utilisation for documentation.

Paper consumption for the 2011/12 and 2012/13 financial years was 537.89 tons and 230.44 tons respectively. Consumption was reduced by 57% due to a centralised printing system implemented at head office.

Of paper used during 2011/12 and 2012/13, 617.39* tons and 618.08* tons respectively were recycled, which were on target.

Total revenue from paper recycling was R267 714.55 for the financial year under review, compared to R253 77.99 for the previous year.

Air pollution

The SA Post Office reports on emissions generated from its direct (scope 1) and indirect sources (scope 2). Scope 1 emissions are emitted by the fleet controlled by the company and scope 2 emissions by electricity bought. These figures exclude CFG and Speed Services because these are subsidiaries and would fall under a different scope.

The total emissions generated by scope 1 for 2012/13 was 13.14 $KtCO_2$ (kilotons of carbon dioxide) compared to 14.04 $KtCO_2$ the year before. The carbon-management target is set at reducing 2.5% of scope 1 emissions, thus emitting less than 14.04 $KtCO_{2.}$ The group reduced its emissions by 0.9 $KtCO_{2,}$ and exceeded the target by 3.9%.

For scope 2 emissions, reporting on 71 mail centres, data centres, depots and warehouses, emissions totalled 44.5$KtCO_2$ for 2012/13 compared to a target of 42 $KtCO_2e$ for 2011/12.

Carbon offsetting compensates for the emissions generated by direct and indirect activities in the company. The target for 2012/13 was to offset 5% of emissions over the prior year. About 2 000 trees were planted nationwide, and, although only 885 were recorded for carbon-offsetting purposes, they offset 5.7% of emissions.

Transport

The transportation of mail - essential for the SA Post Office's operations - has environmental impacts such as air pollution. The company has, therefore, implemented initiatives to minimise this impact.

These include:

- Testing five electric scooters in the northern region and bringing them into the fleet.
- Piloting a vehicle driven by compressed natural gas (CNG) in November 2012. Gas-driven vehicles are currently being procured.
- Continued leasing of fuel-efficient vehicles, replacing petrol-driven vehicles with diesel vehicles.

Energy

The total energy consumption of the SA Post Office Group for 2012/13 was tracked monthly for 71 buildings (20 mail centres, 2 data centres, 44 depots, 3 area offices and 2 warehouses). The target is to reduce annual energy usage by 3%.

The results for the year under review were:

- Energy consumed for the year was 48 718 327 KWh. This is captured in actual bills.
- The buildings' energy consumption exceeded the threshold for the year to March 2013 by 2.8 %. The reduction target for 2012/13 was 3% but the SA Post Office exceeded this target by 2.8%, achieving a 5.8% reduction.

* The quantity of paper recycled was higher than the paper utilised above because other forms of paper such as magazines, newspaper and cardboard were also recycled. These items are not listed as printing paper when they are bought.

Initiatives to reduce indirect energy consumption

The SA Post Office has entered into Eskom's light retrofit performance contracting and conducted a study on energy usage for lights at head office to assess the feasibility of installing motion sensors.

Light retrofitting

- Seven buildings were retrofitted with energy-efficient lights. Retrofitting is in progress at four additional buildings.
- Retrofitting has progressed from performance contracting to standard offer product.

Lighting sensors

- Feasibility study is underway for the installation of sensors at the SA Post Office head office as a pilot.
- Sensors will then be rolled out to other office blocks.

Implementation status of the company's plans

Goal	Action	Implementation status
Measure the company's carbon emissions	Monthly tracking of the company's emissions generated from fleet and electricity purchased	A dashboard with all relevant information is compiled monthly together with an environmental sustainability report
Identify methods to reduce the company's carbon emissions	Testing of alternative fuel-powered vehicles, including electric scooters and compressed natural gas vehicles	Testing and inclusion of five electric vehicles in the company's fleet Testing of a compressed natural gas vehicle
Develop a carbon offset programme	2 000 trees were procured to be planted nationwide	All 2 000 trees were planted
Fossil fuel consumption	Fossil fuel consumption tracked monthly	A dashboard with all relevant information is compiled monthly together with an environmental sustainability report
Participate in the carbon disclosure project (CDP)	Annual participation in the CDP	Co-sponsored and participated fully in the CDP
The SA Post Office is a member of the International Post Corporation (IPC)	Participate in the environmental measuring and monitoring system (EMMS) of the IPC	Disclosed on the EMMS and ranked 19^{th} out of 21 postal services that participated internationally. SA Post Office moved from 59 points to 72 points
Determine a baseline for the company's electricity consumption	The electricity consumption baseline for buildings (mail centres, data centres, area offices and depots) is 2009/10	The monthly usage data is being reported on for 71 buildings. Data is being collected on the other buildings The baseline is 37 939 607 KWh.
Measure the buildings' electricity consumption	The energy usage of 20 mail centres, 2 data centres, 44 mail sorting depots, 3 area offices and 2 warehouses is reported	Monthly dashboards and reports are compiled to show the energy consumption performance of the buildings

Goal	Action	Implementation status
Installation of smart meters	Smart meters that measure electricity and water usage to be installed at the six big mail centres and SA Post Office head office	Audit in progress to determine the number of meters required in each building and will be followed by appointment of project developer and installation
Identify initiatives to reduce electricity consumption	Eskom Performance Contracting Project for Lighting	Retrofitting began in April 2012 and seven buildings were completed. Work on four others is in progress
	Lighting sensors for office blocks to be installed	A study was conducted in March at SA Post Office head office to identify the opportunity for saving electricity using sensors. The building will be used as a pilot and the sensors will be rolled out to other office blocks
Measuring water consumption in the buildings	Determine a baseline for water consumption from 2009/10	Data is being collected to conclude 2009/10 as a baseline for water usage in buildings. The baseline is 127 663 kl
Introduce cartridge recycling	National cartridge recycling service provider being appointed	Data on waste is collected and reporting should be effective from the next financial year
Introduce an effective programme for electronic waste	National recycling service provider being appointed	No data has been collected to date
Introduce recycling programme for other recyclable items (plastic, cans, glass)	There is a national service agreement to recycle with Nampak	The recycling programme is still in a pilot phase at the SA Post Office head office and should be rolled out in the regions in the next financial year

SA Post Office fleet indicators

Indicator	Unit	2011/12	2012/13	Change year on year
Number of vehicles	Number	1 410	1 471	61
Number of petrol-driven vehicles	Number	989	839	150
Number of diesel-driven vehicles	Number	469	648	(179)
Number of electric scooters	Number	5	5	0
Fuel consumption- petrol	L	2 764 154	1 688 590	1 075 564
Fuel consumption - diesel	L	3 051 687	3 799 134	(747 447)
Total fuel consumption	L	5 815 841	5 487 724	328 117
Average fuel consumption -scooters	l/100km	4.42	4.08	0.34
Average fuel consumption – passenger petrol	l/100km	7.74	7.38	0.36
Average fuel consumption – passenger diesel	l/100km	11.09	10.46	0.63

Indicator	Unit	2011/12	2012/13	Change year on year
Average fuel consumption – commercial diesel	l/100km	11.16	10.58	0.58
Average fuel consumption – commercial petrol	l/100km	12.77	12.15	0.62

Measurement of environmental sustainability

Improvement priority	Target 2012/13	Achievement	Achieved/Not achieved	Remarks
Improve sustainability through recycling	Reduce the total amount of paper used by 5%	Paper usage was reduced by 57%	Achieved	230.44 tons of paper was used compared to 537 52 tons in the previous year. Implementing duplex printing halved paper consumption
	Recycle 45% of used paper	120.78% of paper was recycled*	Achieved	618.08 tons of paper was recycled against the target of 510.99 tons. This amount decreased by 8%

* The quantity of paper recycled was higher than 100% because other forms of paper such as magazines, newspaper and cardboard were also recycled. These items are not listed as printing paper when they are bought.

Corporate Citzenship

SA Post Office in communities

Corporate citizenship is an integral part of the SA Post Office's strategy, thus the company places as much emphasis and energy on corporate social investment work as in operational areas. The SA Post Office strives continuously to be a good corporate citizen and to contribute to a sustainable future for stakeholders. Over the past three years, meaningful partnerships have been created with public, private and non-governmental sectors to ensure that community programmes are successful and sustainable. The SA Post Office is actively involved in every project to ensure that the milestones and goals are reached, preferably exceeded.

Investment areas

The SA Post Office continues to focus its investment on women, young people, the disabled and people living with HIV and Aids, with a bias towards those living in rural and peri-urban areas. Areas of investment include digital inclusion, poverty alleviation, environmental sustainability and HIV and Aids.

Corporate social investment

In the year under review, the company continued the work it started two years ago in several communities. The achievements have been significant.

- **Student to Government Programme**

This programme gives unemployed graduates ICT skills that will enhance their employability and enable them to assist local municipalities to deliver services to communities. Phase one of the programme was successfully rolled out in three provinces and benefited 28 students who completed their internships in municipalities. Phase two will train 23 students in Gauteng, Free State, Eastern Cape and Western Cape in advanced IT skills and place them in internships at municipalities. They will then either be absorbed by the local municipality or find other employment in the ICT sector.

- **Humana People to People**

This poverty alleviation programme, in Ribacross in Limpopo, completed its second year and has reached more than 6 000 community members. During the year under review, more than 800 people were trained in computer skills, business management, sewing and gardening skills that assist people to start their own small businesses. Many of the women who participated in the business management courses have maintained their businesses and seen them flourish.

- **E-Rural Access**

The E-Rural Access programme is currently operational in three villages in the Northern Cape and Limpopo. Although the SA Post Office's financial investment stopped in 2011, community members are still benefiting from free access to the centres and to the internet. The forum members have benefited from training received (from the SA Post Office) and use this information to assist community members in relation to the centre's facilities. To date, these centres have benefited more than 10 000 community members across the villages.

Tree Planting

The SA Post Office committed to offsetting 5% of its carbon emissions by planting 857 trees a year until 2012. This programme has also formed part of its employee volunteerism programme. During 2012/13, the company procured and planted 2 000 trees in 87 schools, clinics, shelters and hospitals. Each planting is also an educational session, during which learners are taught about the importance of trees to the environment. These activities have benefited more than 25 000 people, whilst also having raised awareness among staff about the company's environmental programme and the importance of going green.

Employee Volunteerism

Employee volunteerism at the SA Post Office is a vibrant and passionate business. The central message of the company's corporate citizenship is 'Delivering change' and staff live this by volunteering their time, skills and resources in the communities. The financial year under review saw more than a quarter of the workforce volunteering in communities and schools around the country.

Towards maturity of sustainability reporting

The SA Post Office's sustainability performance is inextricably linked to its Corporate Governance practices. We continue in our four years of sustainability reporting with the principle of GR(3) sustainability reporting as a global trade benchmark, while also taking into account the unique South African landscape. Therefore, no re-statements regarding sustainability were or are required.

To deliver on this commitment, the SA Post Office is embedding a culture of sustainability by integrating sustainability management into its strategies, accounting, performance management and reporting processes.

SAPO Compliance Status against the Global Reporting Initiative (GRI) Framework

Economic				
The economic dimension of sustainability concerns the organization's impacts on the economic conditions of its stakeholders and on economic systems at local, national, and global levels.				
		Compliance Status		
Aspect: Economic Performance		**Fully Comply**	**Partially Comply**	**Do not Comply**
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	X		
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	X		
EC3	Coverage of the organization's plan obligations.	X		
EC4	Significant financial assistance received from government.	X		
Aspect: Market Presence				
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.			X
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.			X
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	X		
Aspect: Indirect Economic Impacts				
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	X		
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	X		
Environmental				
The environmental dimension of sustainability concerns an organization's impacts on living and non-living natural systems, including ecosystems, land, air, and water. Environmental Indicators cover performance related to inputs (e.g., material, energy, water) and outputs (e.g., emissions, effluents, waste). In addition, they cover performance related to biodiversity, environmental compliance, and other relevant information such as environmental expenditure and the impacts of products and services.				
		Compliance Status		
Aspect: Materials		**Fully Comply**	**Partially Comply**	**Do not Comply**
EN1	Materials used by weight or volume.			X
EN2	Percentage of materials used that are recycled input materials.			X
Aspect: Energy				
EN3	Direct energy consumption by primary energy source.	X		
EN4	Indirect energy consumption by primary source.			X
EN5	Energy saved due to conservation and efficiency improvements.	X		

		Fully Comply	Partially Comply	Do not Comply
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.		X	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.			X
Aspect: Water				
EN8	Total water withdrawal by source.	X		
EN9	Water sources significantly affected by withdrawal of water.	X		
EN10	Percentage and total volume of water recycled and reused.			X
Environmental				
The environmental dimension of sustainability concerns an organization's impacts on living and non-living natural systems, including ecosystems, land, air, and water. Environmental Indicators cover performance related to inputs (e.g., material, energy, water) and outputs (e.g., emissions, effluents, waste). In addition, they cover performance related to biodiversity, environmental compliance, and other relevant information such as environmental expenditure and the impacts of products and services.				
		Compliance Status		
Aspect: Biodiversity		**Fully Comply**	**Partially Comply**	**Do not Comply**
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.			X
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.			X
EN13	Habitats protected or restored.			X
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.		X	
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.			X
Aspect: Emissions, Effluents, and Waste				
EN16	Total direct and indirect greenhouse gas emissions by weight.	X		
EN17	Other relevant indirect greenhouse gas emissions by weight.	X		
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	X		
EN19	Emissions of ozone-depleting substances by weight.			X
EN20	NO, SO, and other significant air emissions by type and weight.	X		
EN21	Total water discharge by quality and destination.			X
EN22	Total weight of waste by type and disposal method.		X	
EN23	Total number and volume of significant spills.	X		
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.			X
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.			X
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.		X	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.			X

		Fully Comply	Partially Comply	Do not Comply
Aspect : Compliance				
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.			X
Aspect : Transport				
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.			X
Aspect : Overall				
EN30	Total environmental protection expenditures and investments by type.			X
Labour Practices and Decent Work				
The specific Aspects under the category of Labour Practices are based on internationally recognized universal standards, including: • United Nations Universal Declaration of Human Rights; • United Nations Convention: International Covenant on Civil and Political Rights; • United Nations Convention: International Covenant on Economic, Social, and Cultural Rights; • Convention on the Elimination of all Forms of Discrimination against Women (CEDAW); • ILO Declaration on Fundamental Principles and Rights at Work (in particular the eight core Conventions of the ILO consisting of Conventions 100, 111, 87, 98, 138, 182, 29, 105); and • The Vienna Declaration and Programme of Action.				
		Compliance Status		
Aspect: Employment		**Fully Comply**	**Partially Comply**	**Do not Comply**
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.		X	
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	X		
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.			X
LA15	Return to work and retention rates after parental leave, by gender.	X		
Aspect: Labour/Management Relations				
LA4	Percentage of employees covered by collective bargaining agreements.	X		
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	X		
Aspect: Occupational Health and Safety				
LA6	Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs.		X	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.		X	
LA8	Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.		X	
LA9	Health and safety topics covered in formal agreements with trade unions.			None
Aspect: Training and Education				
LA10	Average hours of training per year per employee by gender, and by employee category.		X	

LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.		X	
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.		X	
Aspect: Diversity and Equal Opportunity				
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	X		
Aspect: Equal Remuneration For Women And Men				
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	X		
Human Rights				
The international legal framework for human rights is comprised of a body of law made up of treaties, conventions, declarations and other instruments. The corner stone of human rights is the International Bill of Rights which is formed by three instruments: i) the Universal Declaration of Human Rights (1948); ii) the International Covenant on Civil and Political Rights (1966); and iii) the International Covenant on Economic, Social and Cultural Rights (1966). Organizations can affect a wide range of human rights. In assessing which human rights are relevant for reporting, an organization should consider all human rights. Some additional instruments which may be useful for a reporting organization to reflect upon are: • ILO Declaration on Fundamental Principles and Rights at Work (1998) (which builds upon the eight core Conventions of the ILO consisting of Conventions 100, 111, 87, 98, 138, 182, 29, 105)9; • The regional conventions, adhering to the principle of universality in the International Bill of Rights, for areas where the org anization operates, including: the African Charter on Human and Peoples Rights (1981), the Arab Charter on Human Rights (1994), the American Convention on Human Rights (1969), the European Convention on Human Rights (ECHR) (1950); and • Conventions protecting the rights of individuals who may be impacted by the organization's work, including but not limited to the Convention on the Elimination of Discrimination Against Women (CEDAW) (1979), the Convention on the Rights of the Child (1989), the International Convention on the Elimination of All Forms of Racial Discrimination (1966), ILO Convention 107 Indigenous and Tribal Populations Convention (1957), ILO Convention 169 Concerning Indigenous and Tribal Peoples in Independent Countries (1991), UN Declaration on the Rights of Indigenous Peoples (2007) and Convention on the Rights of Persons with Disabilities (2007).				
		Compliance Status		
Aspect: Investment and Procurement Practices		**Fully Comply**	**Partially Comply**	**Do not Comply**
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.			X
HR2	Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening, and actions taken.			X
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.			X
Aspect: Non-discrimination				
HR4	Total number of incidents of discrimination and corrective actions taken.	X		
Aspect: Freedom of Association and Collective Bargaining				
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.			X
Aspect: Child Labour				
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour.			X
Aspect: Forced and Compulsory Labour				
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour.			X

Aspect: Security Practices				
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.			X
Aspect: Indigenous Rights				
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.			N/A
Aspect: Assessment				
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments. - Ramps for alternatively abled persons - Lowered counters for the alternatively abled persons		X	
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	X		
Society				
Society Performance Indicators focus attention on the impacts organizations have on the local communities in which they operate, and disclosing how the risks that may arise from interactions with other social institutions are managed and mediated. In particular, information is sought on the risks associated with bribery and corruption, undue influence in public policy-making, and monopoly practices. Community members have individual rights based on: • Universal Declaration of Human Rights; • International Covenant on Civil and Political Rights; • International Covenant on Economic, Social and Cultural Rights; and • Declaration on the Right to Development.				
		Compliance Status		
Aspect: Local Communities		**Fully Comply**	**Partially Comply**	**Do not Comply**
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	X		X
SO9	Operations with significant potential or actual negative impacts on local communities.	X		
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	X		
Aspect: Corruption				
SO2	Percentage and total number of business units analyzed for risks related to corruption.	X		
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.			X
SO4	Actions taken in response to incidents of corruption.	X		
Aspect : Public Policy				
SO5	Public policy positions and participation in public policy development and lobbying.	X		
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	X		
Aspect: Anti-Competitive Behaviour				
SO7	Total number of legal actions for anticompetitive behaviour, anti-trust, and monopoly practices and their outcomes.	X		
Aspect: Compliance				
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	X		
Product Responsibility				
Product Responsibility Performance Indicators address the aspects of a reporting organization's products and services that directly affect customers, namely, health and safety, information and labelling, marketing, and privacy. These aspects are chiefly covered through disclosure on internal procedures and the extent to which these procedures are not complied with.				

		Compliance Status		
Aspect: Customer Health and Safety		**Fully Comply**	**Partially Comply**	**Do not Comply**
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.			N/A
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.			N/A
Aspect: Product and Service Labelling				
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.			N/A
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.			N/A
Product Responsibility				
Product Responsibility Performance Indicators address the aspects of a reporting organization's products and services that directly affect customers, namely, health and safety, information and labelling, marketing, and privacy. These aspects are chiefly covered through disclosure on internal procedures and the extent to which these procedures are not complied with.				
		Compliance Status		
Aspect: Customer Health and Safety		**Fully Comply**	**Partially Comply**	**Do not Comply**
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	X		
Aspect : Marketing Communications				
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	X		
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	X		
Aspect: Customer Privacy				
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.			
Aspect: Compliance				
PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services.	X		

South African Post Office

We deliver, whatever it takes.

Business Support

Human Capital Management

Executive summary

The Human Capital Management (HCM) has continued to improve its understanding of business initiatives and requirements with some significant achievements. HCM has continuously improved operational efficiencies by revising policies and procedures to ensure best practice. There were noticeable developments in many areas:

- Remuneration

Benchmarks are conducted biannually to ensure market-related remuneration and benefit structures, with the aim of attracting and retaining top talent. From this information, we have been able to propose salary structures for various levels.

- Increasing operational efficiency

Processes, policies and procedures are continuously revised to ensure effective and efficient operations. A massive project is underway to automate various human resource processes in line with industry practices.

- Human capital development

Different training and development Interventions focus on addressing skills gaps and organisational transformation, as well as supporting career development.

- Employee relations

The HCM team strives for a proactive approach to employee relations and this has led to an improved relationship between the company and organised unions.

- Health and wellness

Wellness processes such as temporary total disability, management of chronic illness and executive health programmes are positioning the SA Post Office as a caring employer of choice that ensures work-life balance.

- Organisational development and culture transformation

Communication and change management strategies are put in place to ensure success towards achieving a high-performing organisational culture through the development of employees.

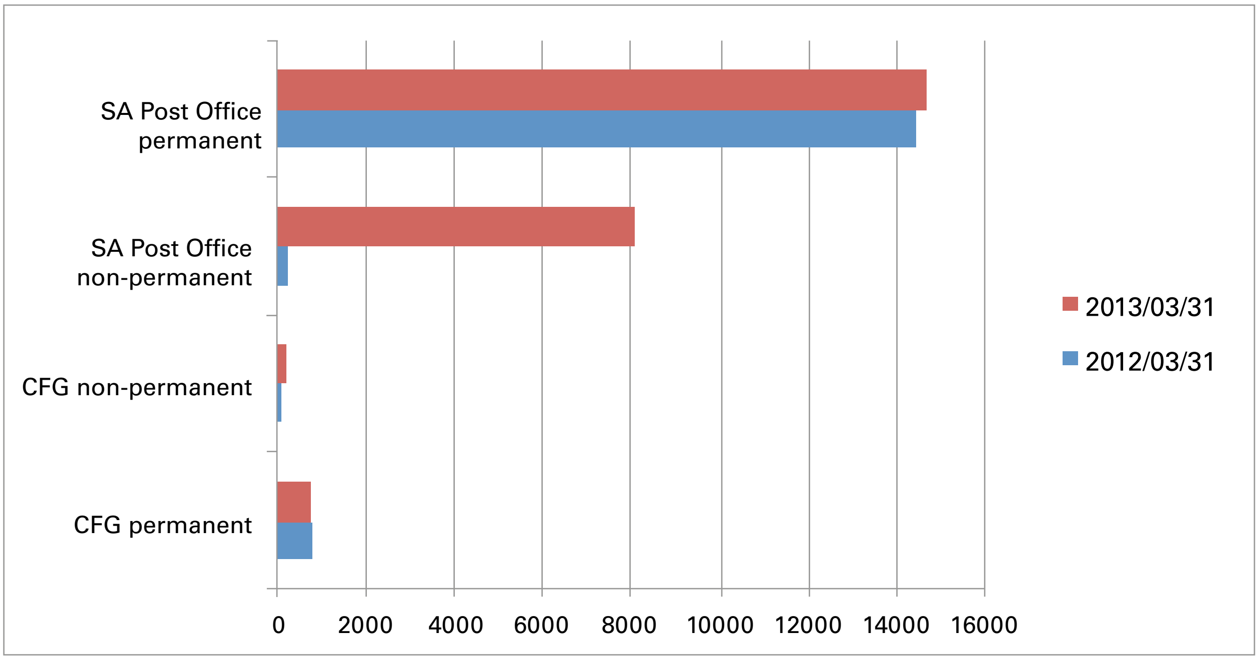
Workforce

Staff complement

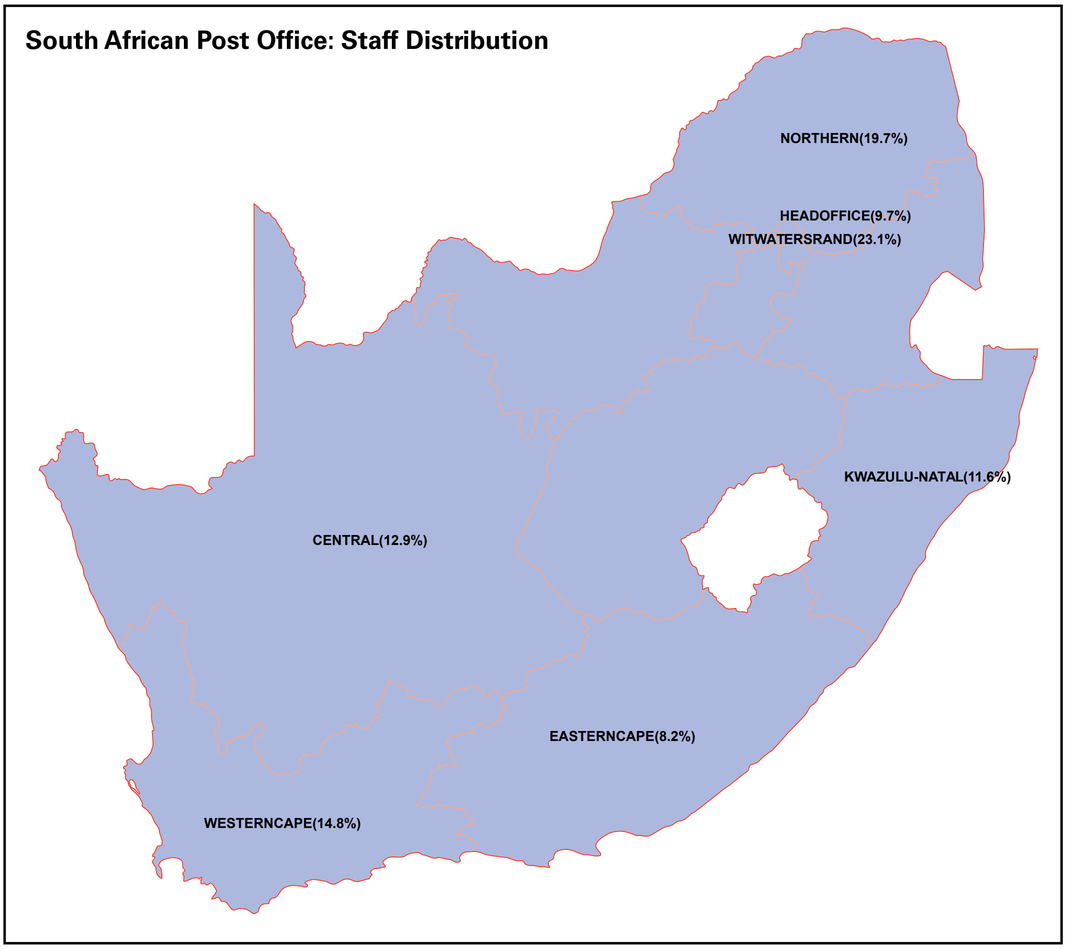
The increase in numbers of 'non-permanent staff', as shown on the graph below, reflects the appointment of casual employees who were previously employed via labour brokers. They are currently employed directly by the SA Post Office as casuals to ensure the operationalisation of the strategic workforce plan and flexible labour model.

During the year under review, some top executive and management positions were filled, notably the CFO and the Group CEO.

Workforce composition

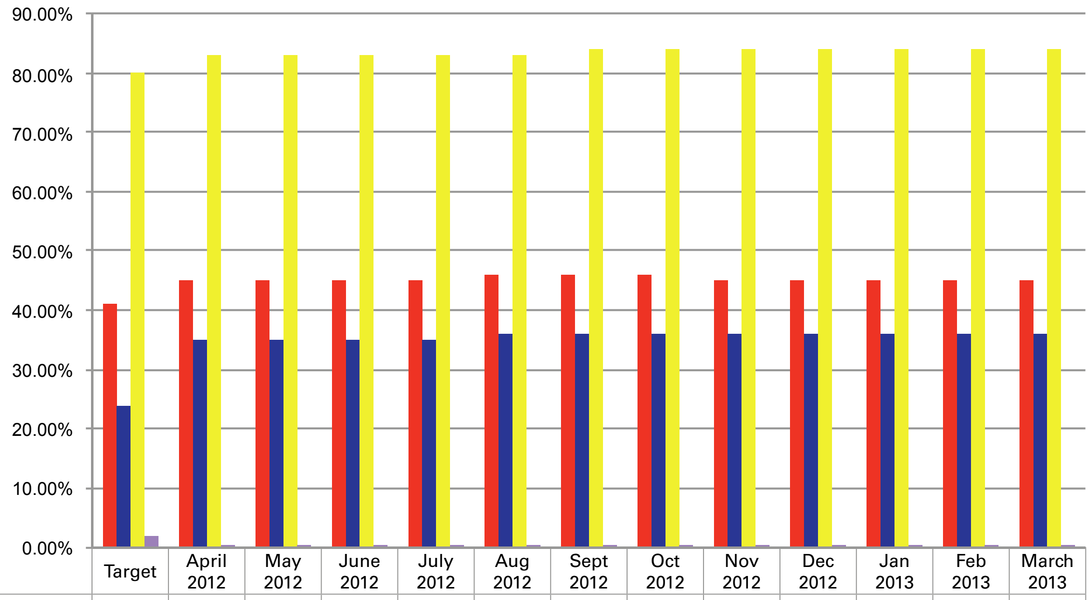


The chart below reflects the deployment of the total number of staff (23 714) across the country. As can be seen, 23% of our workforce is placed in the Gauteng province.



Workforce transformation (employment equity)

The graph below depicts the status of the representation of designated groups within the SA Post Office, as well as the representation of the designated groups as a percentage against target from 1 April 2012 to 31 March 2013.



	Target	April 2012	May 2012	June 2012	July 2012	Aug 2012	Sept 2012	Oct 2012	Nov 2012	Dec 2012	Jan 2013	Feb 2013	March 2013
Female representation	42%	45.00%	45.00%	45.00%	45.00%	46.00%	46.00%	46.00%	45.00%	45.00%	45.00%	45.00%	45.00%
Represenation of Black females	29%	35.00%	35.00%	35.00%	35.00%	36.00%	36.00%	36.00%	36.00%	36.00%	36.00%	36.00%	36.00%
Representation of Blacks	79%	83.00%	83.00%	83.00%	83.00%	83.00%	84.00%	84.00%	84.00%	84.00%	84.00%	84.00%	84.00%
Disability	4%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%

The company focuses on affirmative recruitment and accelerated talent and succession management initiatives that empower suitably qualified designated employees. This is to address various disparities within our workforce make-up.

Employee turnover rate for 2010/11 to 2012/13

Financial year	Turnover rate
2010/11	5.28%
2011/12	5.29%
2012/13	5.16%

Employee turnover rate is low compared to the industry norm of approximately 11%.

Talent and performance management

Talent forums were introduced to all business and support units to improve capacity and development in the units. The forums support the SA Post Office's vision of becoming a high-performance organisation and provide valuable insight on the performance of individuals at various levels of management structures.

Talent forums

The talent forums are focusing on career and succession management, performance assessment and potential, and identification of key development needs for each employee. All general managers and senior managers were trained in the talent forum process, and completed a mentoring workshop to enhance leadership capacity.

Recognition of high performance: The Performance Stars event

The Performance Stars event, which recognises employees for their contribution to overall company successes, was held on 27 October 2012. 3 platinum winners, 18 gold winners and 42 silver winners were announced.

Performance Stars: Platinum winners at the gala event

Performance Stars: Gold winners at the gala event

Building capacity and retention of talent

Graduate programme

The graduate programme assists employees who have graduated, and external graduates to gain practical experience and knowledge relevant to their field of study, to complete an internship and to prepare for future employment. Experiential learning methodology is used to ensure on-the-job mentoring.

The programme is business-unit specific and addresses the need for scarce and critical skills in each unit, with intakes informed by the unit scorecard.

Currently, there are 46 graduates employed in the organisation, 26 (56.5%) of whom are black females. The organisation is committed to skills transfer and the skills shortage is continuously addressed. From the previous intake, 15 graduates were appointed permanently in the organisation, 10 of whom African females.

Bursary scheme

The SA Post Office bursary scheme's focus is to enhance the qualification profile of the workforce and to improve company effectiveness. Priority is given to studies that support the business skills requirements, while progressing the employee along his or her career path.

A total of 95 employees were awarded bursaries in September 2012 to study in 2013. Of these, 72 (76%) are black females.

In addition, the organisation contributes to the acquisition of formal qualifications for the country, through bursaries awarded to its employees' children and the youth. This is in line with the national skills development drive and the youth empowerment initiatives.

Human capital development

Rapid change in the workplace and the changing nature of work require a skilled, adaptive, flexible, motivated and knowledgeable workforce. The SA Post Office is committed to implementing the full spectrum of education, training and development initiatives. This ensures that there are various interventions in the required fields pitched at different proficiency levels and disciplines.

The company consistently complies with the skills development legislation and has, without fail, submitted its workplace skills plan (WSP) and annual training report (ATR) every year as required. In 2012/13, 13 914 training interventions were implemented.

In pursuing its vision "To be recognised as a leading provider of postal and related services in the world", the SA Post Office spent R40.7m for the financial year on learning and development interventions.

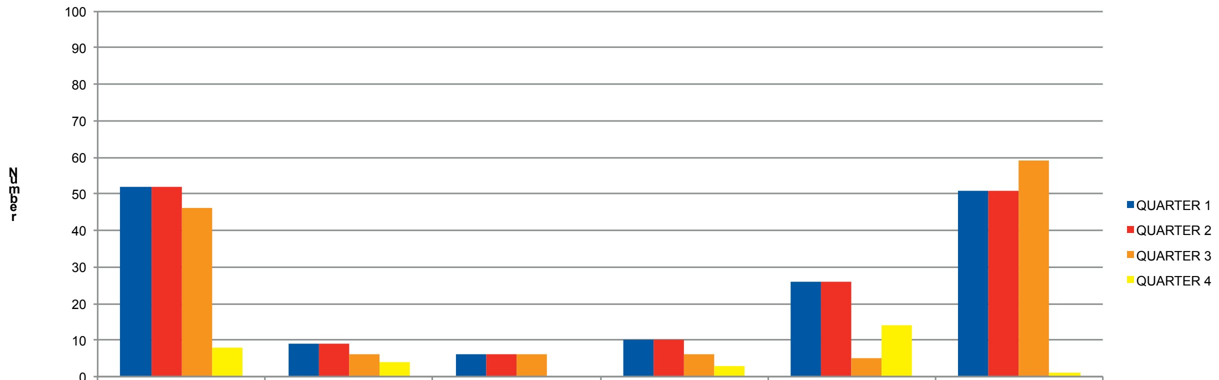
Several interventions were implemented in the 2012/13 financial year, in the following categories:

- Financial and legislative compliance;
- Induction programme;
- Personal mastery;
- Adult learning;
- General vocational programmes focusing on business needs;
- Continuous professional development (CPD) programmes;
- Management and leadership development programmes;
- Graduate programmes – internships for graduates seeking work experience;
- Learnerships, and
- Recognition of prior learning (RPL).

Management and leadership development

Another company focus is the development of management and leadership capabilities.

Management and Leadership Development



	BLACK	WHITE	ASIAN	COLOURED	MALE	FEMALE
QUARTER 1	52	9	6	10	26	51
QUARTER 2	52	9	6	10	26	51
QUARTER 3	46	6	6	6	5	59
QUARTER 4	8	4	0	3	14	1

77 people attended management and leadership interventions during the past financial year, 66% of them were female employees. The interventions ranged from entry-level management courses to development interventions specifically for women. The programmes were:

- Certificate programme in management;
- Postgraduate diploma in management, and
- Creating leadership and personal capacity in women.

The development programmes for women were completed with a 98% pass rate.

Compliance training

Financial Advisory and Intermediary Services (FAIS)

In accordance with the FAIS Act, 102 key individuals were assessed nationally. The following initiatives were implemented to support the key individuals and representatives to become 'fit and proper':

- **Preparatory workshops**

To capacitate identified key individuals to understand the FAIS Act before they can be registered for their regulatory examination level 1.

- **Bachelor in Business Administration (BBA)**

For key individuals and representatives (as defined by FAIS) to obtain a formal academic qualification to meet the minimum requirements and to ensure that the SA Post Office complies with Financial Services Board (FSB) requirements. This programme was launched during February 2013 and is at National Qualifications Framework level 5. Some 570 learners were registered on this qualification and have attended their first contact session nationally.

Webriposte (WRE) training

Employees in Retail and support services were trained on the new point-of-sale system in line with the conversion schedule. A total of 231 offices were converted to the new system and 1 109 employees were trained.

Autosafe training

To ensure cash flow management, Autosafe machines were installed at 100 identified offices. Training for the first phase of the Autosafe project was completed, with 221 branch managers and chief tellers, in identified branches successfully trained to use the machines efficiently.

Technology training

Human capital development aims to provide unemployed youth with the basic technology skills they need. A total of 557 unemployed youth, 57% of whom were female, were trained during the year under review as part of the organisation's corporate social investment.

Learnerships

A total of 641 employees are currently on five learnerships, namely:

- Bachelor in Business Administration degree;
- Associate accounting technician;
- Contact centre agent;
- Practical management, and
- Payroll administration.

Health and wellness

Health and wellness are core values of the SA Post Office strategy and support employees at all levels. Health promotion is a cost containment strategy that encourages a healthy lifestyle, reducing health risks for those who are at risk of chronic health problems.

Wellness programmes include:

- **Executive health programme**

The fact that stress is an inherent part of the executive profile that could pose a risk to the organisation led to the launch of the executive health programme in September 2012. It is the number one hazard for executives and senior managers in the organisation and tends to present itself as a poor life-work balance and diseases-caused lifestyle, with a negative impact on work performance.

The programme encourages all employees to take steps to reduce the risk of claims arising from workplace stress and establishes procedures and knowhow to deal correctly with situations as they arise.

- **Medical surveillance**

Occupational Health: Medical Surveillance

Medical Surveillance	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Excluding repeats (%)	67.15	67.50	67.83	68.08	69.95	71.05	72.44	73.96	74.12	74.00	76.00	76.00
Including repeats (%)			78.61	79.62	81.92	83.34	85.14	87.47	88.18	89.00	91.00	91.00

Region	Employees tested
HO	63%
Central	79%
Eastern Cape	63%
KZN	81%
Northern	100%
Western Cape	68%
Witwatersrand	66%

Business Unit	Employees tested
Retail	70%
Financial services	76%
Logistics	62%
Mail business	80%
Properties	100%
Business support	89%

The figures are against a 70% target for the business year.

HIV and Aids in the workplace

Voluntary confidential counselling and testing (VCCT)

HIV and Aids: VCCT

Group VCCT	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Excluding repeats (%)	74.00	74.10	74.3	74.8	75.1	75.55	76.03	76.79	77.30	77.00	79.00	79.00
Including repeats (%)			79.66	80.50	81.49	82.13	83.43	84.27	85.39	86.00	88.00	88.00

Region	Employees tested
HO	50%
Central	82%
Eastern Cape	82%
KZN	75%
Northern	94%
Western Cape	69%
Witwatersrand	81%

Business Unit	Employees tested
Retail	59%
Financial services	73%
Logistics	64%
Mail business	98%
Properties	82%
Business support	87%

The figures are against a 80% target for the business year.

Ngatana support group

The Ngatana support group was launched in December 2007 to support employees who have undergone voluntary screening tests to determine their HIV status. The groups are volunteer-run and comprise people living with HIV, who have Aids or who have recovered to become productive employees again. Confidentiality is maintained, unless an individual chooses to disclose his or her status. Thus, meetings take place offsite.

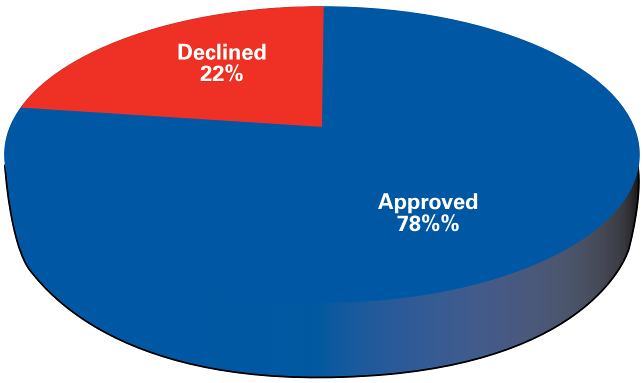
Regional coordinators, who are also living with HIV, are known to employees so that they may be contacted if an employee wants to join the group. Groups are well established in northern region and Wits and employee assistance practitioners support the regional coordinators.

Disability management

Temporary total disability

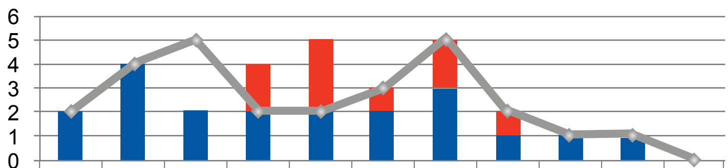
The graph below indicates the percentage of temporary total disability (TTD) applications approved and declined. Less severe cases were declined owing to sick leave abuse (37% compared to 49% year-on-year) – this indicates a positive change in behaviour.

TTD Application Outcome YTD



Ill health retirement

HR applications and outcome Apr 12 - Mar 13



	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Total Declined	0	0	0	2	3	1	2	1	0	0	0
Approved	2	4	2	2	2	2	3	1	1	1	0
Received	2	4	5	2	2	3	5	2	1	1	0

Ill health retirement declined during 2012/13, which can be attributed to healthier lifestyle choices by employees and the achievement of a work-life-balance.

Information Technology

IT provides services to the entire SA Post Office Group through structured and associated IT processes. The IT service desk provides operational support to the company and the Group project management office provides project-related support.

The primary focus during the year under review was on stabilising and improving existing IT capabilities. At a more granular level, IT activities were focused on the following areas:

- Audit and risk management: Improved risk and audit findings;
- Operational efficiency: achieving optimal return on IT investments and efficient use of IT resources (people and IT infrastructure) and cost effective use of IT for growth
- IT security: Implementing managed IT security services to strengthen operational IT security.

Most of the operational budget was spent on maintaining the stability of the current IT platform to ensure that, the company was able to:

- process 6.6 billion transactions for third party payments;
- process 2.3 million transactions for pension payments;
- process interchange files of more than R4.8 billion;
- execute banking transactions of more than R219 billion;
- facilitate electronic bulk-mail delivery note processing of more than R2.2 billion, and
- process more than 18.9 million recorded items on the track and trace solution.

The IT strategy 2013-2018 was reviewed and reaffirmed. The key IT programme of work initiatives was defined, and aligned to IT and the SA Post Office Group strategy.

During the year, work began on the following inititiatives:

- IT infrastructure refresh;
- Upgrade First Call Resolution (FCR) to Universal Banking System (UBS).

The IT stucture remains organised around traditional IT functions (IT business support; IT infrastructure and production; IT development and testing etc). The structure has yet to evolve to support the business model described in the company roadmap. This will be addressed through the reorganisation of the IT department into a service-based unit, providing shared services to the group and specialised services to the individual business units.

Going forward

The investment in stabilisation activities will continue to enhance availability and predictability of current IT service levels. To that end, and in support of the upcoming corporatisation of Postbank, stabilisation and service improvement activities will continue to attract investment.

The following areas will continue to be enhanced:

- Overall business continuity (including DR);
- Network performance and flexibility;
- Information and data security, and
- Providing usable management information to improve strategic decision making.

The focus of IT will gradually evolve from efficiency and stabilisation activities to building sufficient competence to become a true partner in support of business strategies. To do so will require a conscious effort to build the structures and competencies necessary to function as a trusted adviser. The corporatisation of Postbank is attracting additional focus and investment in developing IT's preparedness for the upcoming application process.

E-Business

Overview

The E-Business unit operates as a business communications and transactions platform, focusing on the electronic fulfilment of communications and transactions through multiple channels such as hybrid mail, mobile platforms, the internet, Trust Centre and self-service kiosks.

The unit will see the evolution and migration of some traditional postal services to e-services using innovative technology platforms and electronic channels, while creating new e-products and services.

Authentication services will provide the required security as a value-add to electronic communications and transactions, through the use of digital certificates from the Post Office Trust Centre.

Hybrid mail business

Hybrid Mail receives electronic data centrally and converts it to produce physical mail items.

Data is routed electronically to one of three established, decentralised production locations for printing and conversion. The items are then submitted to one of the SA Post Office's delivery streams for distribution. Hybrid mail, at present, accounts for about 2% of the total mail volumes. A substantial increase in volumes is expected for 2013/14.

In spite of major challenges experienced in the 2012/13 financial year, which included a significant decline in government project mailings in the second and third quarters, hybrid mail rebounded well in the fourth quarter, and posted a year-on-year revenue increase of 6.1%. It is envisaged that 2013/14 will see substantial investment in new production equipment and additional production locations, as well as the deployment of additional production shifts.

Online business

Online postbox renewals through the virtual post office (www.virtualpostoffice.co.za) accounted for about 10% of the total postbox renewals during the year under review. Online product sales were on par with those of the previous year and there has been a marked increase in foreign purchases of philatelic products. A facility for online payment of traffic fines, launched in the fourth quarter of the financial year, offers users the ability to search, view and pay their traffic fines virtually.

The lauch of the Postbank mobile balance enquiry service which complements existing mobile services such as tracking of registered mail, parcels and courier products. Postbank clients can now do a balance enquiry from their mobile devices.

Greater market awareness and communication, plus additional online payment options, are planned and will increase the number of transactions for 2013/14. Exciting new online products scheduled for launch in the year ahead will improve the revenue-earning potential as well as the relevance of this digital channel to the SA Post Office Group and its customers.

Achievements during the year under review

The Electronic Communications and Transactions (ECT) Act 25 of 2002 names the SA Post Office as the preferred service provider for authentication services. The SA Post Office Trust Centre was established to fulfil this function and underwent stringent international and national standards assessment by the South African Accreditation Authority (SAAA). On 1 March 2013, the SA Post Office Trust Centre was deemed to have met ECT Act and WebTrust standards and was awarded a national accreditation certificate as a provider of authentication services, by the SAAA in terms of the ECT Act of 2002.

Growth of E-Business in 2013/14

The E-Business unit is positioned to offset the decline in physical mail through the provision of innovative solutions (hybrid mail) and the establishment of new, viable revenue streams. The following are crucial to the achievement of 2013/14 revenue targets:

- **Launch of the Post Office Trust Centre**

The Trust Centre officially received accreditation in March 2013. As an integral part of the E-Business value proposition, the launch of the Trust Centre will create market traction and establish new revenue streams for the SA Post Office Group through the sale of accredited and WebTrust-certified products and services.

- **Diversification of revenue streams, through the launch of new online products**

The Virtual Post Office, launched in 2011/12, has enabled the company to offer its products and services online. Through online services such as postbox renewals, sale of postal and philatelic products and traffic fine payments, a foothold was established in the digital space. To leverage this, a number of new online products and services are planned for the 2013/14 financial year, notably e-registered mail, and electronic bill presentment and payments.

- **Migration of products and services onto a single E-Business platform**

Through engagement with the SA Post Office BUs, E-Business aims to align the needs of internal stakeholders with existing value propositions, and drive internal solution development priorities. These engagements started in 2012, and will continue into 2013/14. The definition of an e-strategy remains a priority and drafting and implementation of this strategy will begin in 2013/14. Continuous migration of bulk mailers onto the hybrid mail platform, with its inherent capabilities and efficiencies, is key to assuring digital migration of customers to ensure future business sustainability.

- **Growth of existing revenue streams**

Over the last five years, a solid core E-Business value proposition has been established. However continuous review and adjustment of the proposition is needed. The company has forged long-lasting and dependable relationships with a number of key accounts and is well placed to leverage growth in existing revenue streams. The planned rollout of government projects in 2013/14 will bolster hybrid mail revenue, and there is potential in the market for new business. An integrated, aggressive marketing and sales approach is required to enhance the visibility of products and services in a mature, competitive marketplace, and to migrate clients in alignment with the business value proposition and growth targets.

Security and Investigation

Overview

The 11 weeks of industrial action of June 2012 and February 2013 increased crime in the organisation. While incidents of crime such as postal crime and theft decreased significantly, violent crime, intimidation and damage to property increased. However, an overall reduction in postal crime of 19% was recorded over the previous year.

Additional physical security measures were implemented to protect assets and non-striking employees, with the ultimate objective of restoring business operations.

Compared to the previous financial year, during which incident numbers increased from May to September 2011, but dropped from October to December 2011, in the reporting year, reductions continued from May to October 2012, significantly decreasing in December 2012, as illustrated below:

Crime categories

- **Armed robbery** – 121 armed robbery incidents were recorded during the period under review, compared to 87 during the previous year, there is a 39% increase. Between April and July 2012, postal outlets were targeted by two syndicates that were in the Wits region. While the increase in armed incidents is concerning, investigations have led to a successful identification and infiltration of the syndicates.
- **Cash-in-transit heists and hijacking** – by March 2013, there had been 3 heists and three hijackings, compared to 2 each in the previous period.
- **Housebreaking** – the northern region recorded the highest number of incidents (55), representing 35% of incidents recorded (155) in all regions. This was a 9% increase over the 142 incidents of the previous period.
- **Postal crime** – incidents involving all types of postal articles (standard, non-standard and parcel) dropped by 20%, from 1 298 to 1 079.

Trends of crime categories are as follows:

Category	March 2012	March 2013	Variance%
Armed robbery	**87**	**121**	**39%**
Cash-in-transit	**2**	**3**	**50%**
Hijacking	**2**	**3**	**50%**
Housebreaking	**142**	**153**	**9%**
Postal	**1 298**	**1 079**	**20%**

Investigations

By end March 2013, 3 019 cases had been referred for investigation. Of these, 2 837 investigations (94%) had been completed, in an average of 16 days. Some 310 incidents were unfounded, representing about 10%. Investigations into 142 cases remained open and uncompleted, while 36 new cases had been received but investigation had not begun.

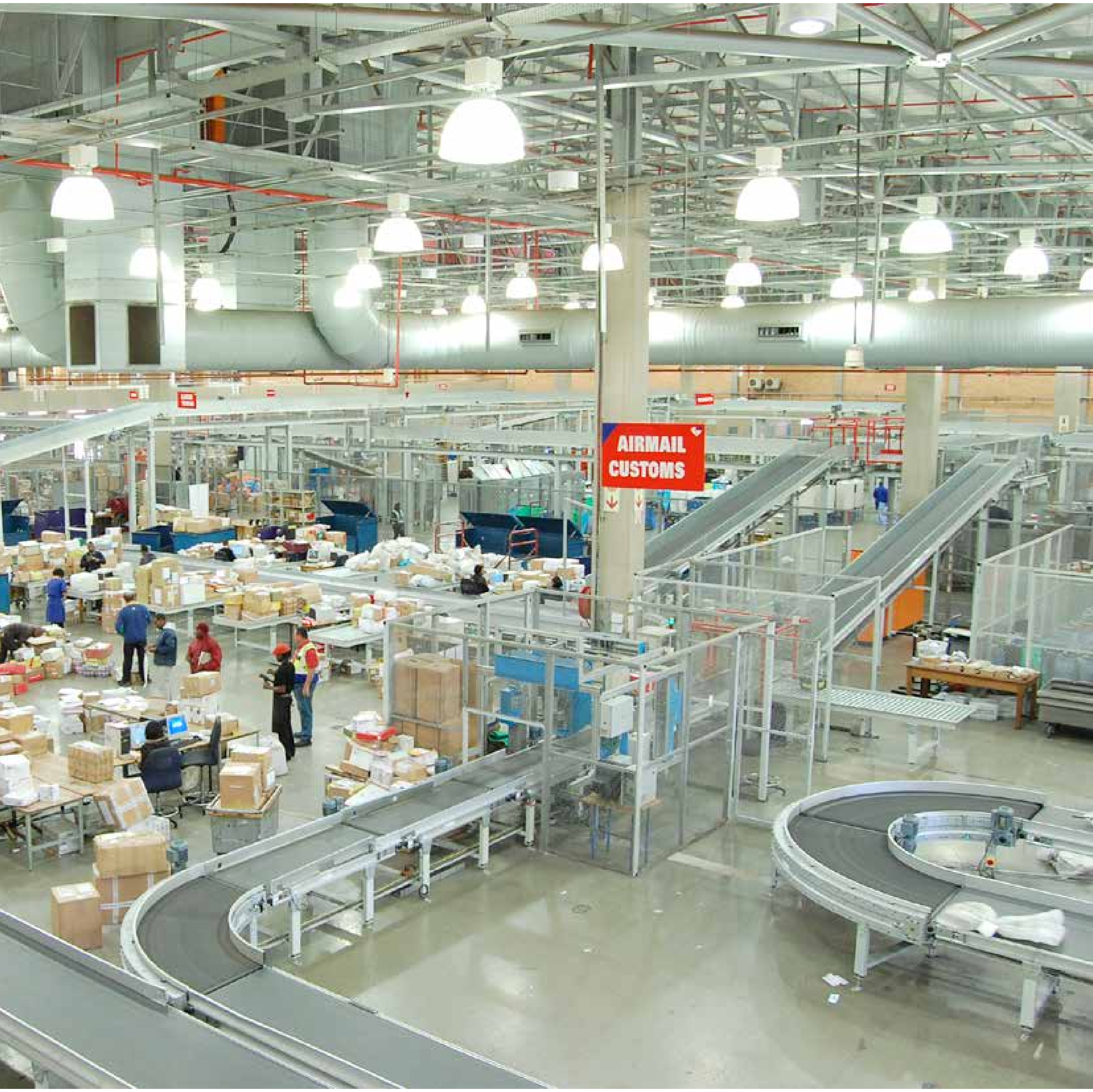
The standard for completed (liquidation) of incidents is 85% of all reported cases.

Anonymous crime reporting

There was a significant reduction in the number of anonymous crime reports (149) compared to the previous year, with 166 reports. While this could be concerning, it is in line with the reduction in overall crime (19%), finance-related crime (33%) and postal crime (17%). Trends indicate that these categories account for most anonymous crime reports.

Conclusion

It is expected that, by the end of the next financial year, crime will have reduced, but violent crime would remain high. This would present a challenge, particularly to the planned physical security reinforcement of postal outlets. Some R20 million has been set aside for this and will be complemented by employee crime awareness programmes that will encourage employee participation in crime reduction initiatives to reverse the violent crime trend and enhance security of staff and assets.



The Johannesburg International Mail Centre features state of the art scanning and mail processing equipment.

South African Post Office (SOC) Limited
(Registration number 1991/005477/06)
Consolidated Annual Financial Statements
for the year ended 31 March 2013

These Consolidated Annual Financial Statements were prepared under the supervision of:
Mbuso Magagula (Acting General Manager: Financial Accounting)
These Consolidated Annual Financial Statements were reviewed by:
Khumo Mzozoyana (Chief Financial Officer)

These Consolidated Annual Financial Statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008

Published July 31, 2013

Index

The reports and statements set out below comprise the Consolidated Annual Financial Statements presented to the Shareholder:

Index .... Page

The following supplementary information does not form part of the audited Consolidated Annual Financial Statements and is unaudited:

Independent Auditors' Report

To the Shareholder of South African Post Office (SOC) Limited

1. Report on the Financial Statements

We have audited the Consolidated and Separate Annual Financial Statements of the South African Post Office (SOC) Limited and its subsidiaries, as set out on pages 137 to 232, which comprise the Consolidated and Separate Statement of Financial Position as at 31 March 2013, and the Consolidated and Separate Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and the Notes to the Annual Financial Statements , comprising a summary of significant accounting policies and other explanatory information.

2. The Accounting Authority's (Directors') Responsibility for the Consolidated and Separate Financial Statements

The Board of Directors which constitutes the accounting authority is responsible for the preparation and fair presentation of these consolidated and separate Financial Statements in accordance with International Financial Reporting Standards and the requirements of the Public Finance Management Act of South Africa, Act No 1 of 1999 ("PFMA"), and the Companies Act of South Africa, Act No.71 of 2008 ("Companies Act"), and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate Financial Statements that are free from material misstatement, whether due to fraud or error.

3. Auditors' Responsibility

Our responsibility is to express an opinion on these Consolidated and Separate Financial Statements based on the audit procedures performed. We conducted our audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) ("PAA"), the General Notice issued in terms thereof and 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 Consolidated and Separate Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated and Separate Financial Statements . The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate Financial Statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Consolidated and Separate Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Consolidated and Separate Financial Statements.

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

4. Opinion

In our opinion, the Consolidated and Separate Financial Statements present fairly, in all material respects, the financial position of the South African Post Office SOC Limited and its subsidiaries as at 31 March 2013, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and requirements of the Public Finance Management Act and the Companies Act of South Africa.

5. Emphasis of Matter

We draw attention to the matters below. Our opinion is not modified in respect of these matters.

Independent Auditors' Report

5.1 Going concern

Without qualifying our opinion, we draw attention to the fact that the Government subsidy has been withdrawn and additional costs to fund the Postbank corporatization will further add pressure on the performance of South African Post Office SOC Limited. The above conditions along with other matters set out in note 48 to the Annual Financial Statements may be indicative of a material uncertainty which may cast significant doubt on the entities ability to continue as a going concern in future.

6. Other reports required by the Companies Act

As part of our audit of the Financial Statements for the year ended 31 March 2013, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited Financial Statements . These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited Financial Statements . However, we have not audited these reports and accordingly do not express an opinion on these reports.

7. Other Matters

Without qualifying our opinion we draw attention to the fact that the detailed income statement as set out on pages 233 to 244 and the supplementary information as set out on page 235 do not form part of the financial statements and are presented as additional information. We have not audited these schedules and accordingly do not express an opinion on them.

8. Report on Other Legal and Regulatory Requirements

In accordance with the PAA and the General Notice issued in terms thereof, we report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

8.1 Predetermined objectives

We performed procedures to obtain evidence about the usefulness and reliability of the information in the Group Key Performance Indicators as set out on pages 22 to 35 of the annual report.

The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury Framework for managing programme performance information.

The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

There were no material findings on the Group key performance indicators concerning the usefulness and reliability of the information.

8.1.1 Additional matter

Although no material findings concerning the usefulness and reliability of the performance information were identified in the Group key performance indicators, we draw attention to the matter below.

Independent Auditors' Report

8.1.1.1 Achievement of planned targets

Of the total number of 55 targets planned for the year, 31 of the targets were not achieved during the year under review. This represents 56% of total planned targets that were not achieved during the year under review.

8.2 Compliance with laws and regulations

We performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. Our findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the General Notice issued in terms of the PAA are as follows:

8.2.1 Expenditure Management

Although the accounting authority has embarked on a process to identify irregular expenditure, the entity continued to incur irregular expenditure during the current financial year. The accounting authority has therefore not taken effective steps to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the Public Finance Management Act.

During the current year management completed a full review of all procurement contracts which resulted in the identification of irregular expenditure amounting to R2.1 billion as disclosed in Note 51 in the Annual Financial Statements.

8.2.2 Asset management

Proper control systems to safeguard and maintain fixed assets were not implemented, as required by sections 50(1)(a) and 51(1)(c) of the Public Finance Management Act.

8.3 Internal control

We considered internal controls relevant to the audit of the Financial Statements , Group Key Performance Indicators and compliance with laws and regulations. We also draw your attention to the comments included in the directors' report regarding the internal control environment. The matters reported above and below under the fundamentals of internal control are limited to the significant deficiencies that resulted in audit opinion, the findings on the Group Key Performance Indicators and the findings on compliance with laws and regulations included in this report.

8.3.1 Leadership

A number of key leadership positions were vacant during the year with the work being performed by individuals in an acting capacity. As at the date of this report, the following key leadership positions still remain vacant: Chief Information Officer, Chief Operating Officer, and Managing Director: Postbank, Group Executive: Supply Chain Management, Business Support Services and Head of Properties.

Although this had not negatively impacted on the audit process, the filling of the above positions should be finalised as a matter of urgency as it could impact on the implementation of strategic action plans of the South African Post Office SOC Limited.

8.3.2 Financial and performance management

Extensive work has been performed at South African Post Office SOC Limited - Procurement division to ensure that there is improvement with contract management and to eliminate all these instances of non-compliance with laws and regulations. For further details we draw your attention to note 51 to the Financial Statements.

Independent Auditors' Report

8.4 Other reports

8.4.1 Investigations

The following investigations are currently being conducted at the South African Post Office SOC Limited and still on-going at the reporting date:

- Investigation instituted by the Minister for various matters including governance, financial management etc.
- Investigations by the Public Protector regarding potential irregularities relating to procurement of property leases; and
- Investigations by SAPO regarding the possible fraudulent activities of approximately R5million that took place at SAPO Treasury.

8.4.2 Agreed-upon procedures engagements

The following agreed-upon procedures engagements have been performed at the request of the South African Post Office SOC Limited:

- Agreed-upon procedures on the license fee payable by the South African Post Office SOC Limited to Independent Communications Authority of South Africa ("ICASA");
- Agreed-upon Procedures on Government Grants; and
- Agreed-upon procedures for Marine Living Resource Fund on the reasonableness of revenue recorded with regards to the sale of licenses and permits by South African Post Office SOC Limited on their behalf.
- Agreed-upon procedures on the return in terms of regulation 4.4 (i) and (ii) of the Short-Term Insurance Act. (no. 53 of 1998) to the Intermediaries Guarantee Facility Limited ("IGF") for South African Post Office SOC Limited;
- Agreed-upon procedures on the return in terms of regulation 4.4 (i) and (ii) of the Short-Term Insurance Act. (no. 53 of 1998) to the Intermediaries Guarantee Facility Limited ("IGF") for South African Post Office SOC Limited (specifically for the amounts collected on behalf of third parties by retail) for the year ended 31 March 2012, and
- Agreed-upon procedures on the return in terms of regulation 4.4 (i) and (ii) of the Short-Term Insurance Act. (no. 53 of 1998) to the Intermediaries Guarantee Facility Limited ("IGF") for South African Post Office SOC Limited (specifically for the amounts collected on behalf of third parties by retail) for the year ended 31 March 2013.

Deloitte & Touche
Partner
Registered Auditors

July 31, 2013

SizweNtsalubaGobodo Incorporated
Partner
Registered Auditors

July 31, 2013

Directors' Responsibilities and Approval

The Directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the Consolidated Annual Financial Statements and related financial information included in this report. It is their responsibility to ensure that the Consolidated Annual Financial Statements fairly present the state of affairs of the Group as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the Consolidated Annual Financial Statements .

The Consolidated Annual Financial Statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risks management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Directors are of the opinion, based on the information and explanations given by Management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Consolidated Annual Financial Statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The external auditors are responsible for independently auditing and reporting on the Group's Consolidated Annual Financial Statements. The Consolidated Annual Financial Statements have been examined by the Group's external auditors and their report is presented on pages 121 to 124.

The Consolidated Annual Financial Statements set out on pages 137 to 232, which have been prepared on the going concern basis, were approved by the Board on 31 July 2013 and were signed on its behalf by:

Dr HN Manzini (Acting Chairperson of the Board)

CJ Hlekane - (Group Chief Executive Officer)

Secretary's Statement

In terms of section 88(2)(e) of the Companies Act No. 71 of 2008 as amended, I, Bessie Sindile Bulunga, in my capacity as the Group Company Secretary, hereby certify that, to the best of my knowledge and belief, the Group has lodged with the Commission for Intellectual Properties and Companies (CIPC) all such returns as required in terms of the Companies Act No. 71 of 2008, as amended and that all such returns are true, correct and up to date.

Ms BS Bulunga

Group Company Secretary

July 31, 2013

Audit Committee Report

1. Introduction

The South African Post Office (SOC) Limited Audit Committee (the Committee), a Committee of the South African Post Office (SOC) Limited Board of Directors (the Board) is pleased to present its report for the financial year ended 31 March 2013. The report is presented in accordance with the requirements of section 34 (2) read together with section 94 (7) (f) of the Companies Act No 71 of 2008, as amended (the Companies Act).

The South African Post Office (SOC) Limited Group has in accordance with section 94 of the Companies Act established, as a sub-committee of the Group Audit Committee, Logistics Audit and Risk sub-committee to oversee the audit and risk management function related to the Group's operating subsidiaries.

2. Background

Section 34 of the Companies Act requires State Owned Companies, in addition to complying with this section, to also comply with the extended accountability requirements as set out in Chapter 3 of the Companies Act and which include, inter alia, including a report in the annual report to be tabled at the Annual General meeting (AGM) stating how the Audit Committee has carried its functions and further making a statement on, inter alia, the independence of the external auditors; the appropriateness of the Annual Financial Statements and the accounting practices and the internal financial controls of the Company.

Section 94 sets out some of the responsibilities of a Public Company or a State Owned Company that has voluntarily determined to have an Audit Committee.

The Committee, presently comprises of the following non-executive Directors:

- Mr H Daniels - Interim Chairperson with effect from 15 July 2012;
- Mr R Sishuba - Appointed 1 March 2012; and
- Ms G Simelane - Appointed 25 April 2012.

The following changes in the composition of the Committee took place during the past financial year and to the date of this report:

- Mr S Dietrich (Chairperson) - Resigned during July 2012;
- Mr SMA Malebo - Retired 29 February 2012;
- Ms K Sicwebu – Retired 31 March 2012; and
- Mr S Patel – Retired 25 April 2012.

Mr Dietrich, the Chairperson of the Committee, resigned during July 2012. Mr Daniels, the Independent Chairperson of the Logistics Audit and Risk Committee, was appointed interim Chairperson.

The South African Post Office (SOC) Limited Group has in accordance with section 94 of the Companies Act established, as a sub-Committee of the Group Audit Committee, a Logistics Audit and Risk sub-Committee to oversee the audit and risk management functions related to the Group's operating subsidiaries.

The Committee is an independent statutory Committee tasked with assisting the Board in respect of the duties assigned to it as set out in the South African Post Office (SOC) Limited Audit Committee Charter and other legislation applicable to Audit Committees.

The mandate and responsibilities of the Committee are set out in a formal charter which is revised on an annual basis by the Board of Directors of the Company guided by, inter alia, legislation and relevant codes on audit, risk management and governance.

The overall objective of the Committee is to assist the Board in discharging its duties relating to, amongst others, the safeguarding of assets, the operation of adequate internal controls and systems, ensuring that adequate financial accounting controls and processes exist, reviewing Shareholder information and the Annual Financial Statements for presentation to Shareholders, as well as overseeing that statutory and regulatory requirements are met on an on-going basis.

Audit Committee Report

3. Duties carried out

During the financial year ended 31 March 2013, the Committee held quarterly meetings to discharge both its statutory obligations and responsibilities towards the Company. Below is the list and schedule of attendance of meetings held by the Committee during the year under review:

Attendance at Audit Committee meetings for the year 1 April 2012 to 31 March 2013

NAME	2012							2013	TOTAL
	25/05	30/05	19/07	26/07 *	30/07 *	08/11	29/11	14/03	
SEO Dietrich [1]	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	**2**
H Daniels [2]	N/A	N/A	✓	✓	✓	✓	✓	✓	**6**
K Sicwebu[4]	✓	✓	✓	✓	✓	✓	✓	X	**7**
G Simelane	✓	✓	✓	X	✓	✓	X	✓	**6**
R Sishuba	✓	✓	✓	✓	✓	✓	✓	✓	**8**
NCS Bebeza [3]	N/A	N/A	N/A	✓	N/A	N/A	N/A	N/A	**1**
Dr HN Manzini */5	N/A	N/A	N/A	✓	✓	N/A	N/A	N/A	**2**
N Mthethwa *	N/A	N/A	N/A	✓	✓	N/A	N/A	N/A	**2**
TC Ngcobo *	N/A	N/A	N/A	✓	✓	N/A	N/A	N/A	**2**
MS Patel *	N/A	N/A	N/A	✓	✓	N/A	N/A	N/A	**2**

Legend:-			
	✓	=	Present
	X	=	Absent with apology
	*	=	Joined SA Post Office Audit and Logistics Audit Committee
	1	=	Retired 3 July 2012
	2	=	Interim SA Post Office Audit Committee Chairperson from 15 July 2012
	3		Retired 30 September 2012
	4	=	Resigned 31 March 2013
	5	=	Acting Chairperson of the Board
	N/A	=	Meeting not applicable to Director

As an overview only, and not to be regarded as an exhaustive list, the Committee carried out the following duties:

3.1 Annual Financial Statements

The Committee has evaluated the South Africa Post Office (SOC) Limited's Group Consolidated Annual Financial Statements for the year ended 31 March 2013. Amongst others, the Committee reviewed the principles, policies and accounting practices and standards adopted in preparation of the companies and divisions within the Group and commented thereon and monitored compliance with all statutory/legal/regulatory requirements.

The Committee reviewed and considered the Audit Report, Annual Financial Statements, and interim reports of the Company, and the Financial Statements of such other subsidiaries and companies controlled by the Company.

The Committee noted some deficiencies in internal control and recommended that these be remedied in the ensuing financial year.

Since the Annual Financial Statements complied, in all material aspects, with the aforementioned and appropriate Internal and International Financial Reporting Standards, and subject to the above, and to other related matters, the Committee has approved and recommended the Annual Financial Statements for approval to the Board .

The Board has subsequently approved the Financial Statements, which will be presented to Shareholders for discussion at the forthcoming Annual General Meeting (AGM) to be held during 2013.

Audit Committee Report

3.2 Integrated report

In addition to the Annual Financial Statements, the Committee has overseen and evaluated:

- the Integrated Report in line with the King III requirements;
- the Sustainability Report;
- the Corporate Governance Report; and
- the Directors Report for the year ended 31 March 2013.

The Committee considered all factors and risk that may impact on the Annual Integrated Report and ensured that the sustainability issues in the integrated report are reliable, consistent and do not conflict with the financial information

The Committee has noted that the Annual Integrated Report for the financial year ended 31 March 2013 has been partially fulfilled, it has recommended the integrated report for approval to the Board and for presentation to the Shareholder.

3.3 Internal audit function

The internal audit functions as a division within the South African Post Office (SOC) Limited and performs internal audit functions for the Group including its subsidiaries. The Committee has played an oversight role in respect of the Internal Audit Function (IAF) to ensure its effectiveness.

Amongst others, the Committee:

- Review and approve the internal audit charter;
- Reviewed the scope and plan of the internal audit function and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company;
- Ensured that the internal auditor has direct access to the Audit Committee Chairman and, where there is a conflict, the Board Chairman;
- Received a report on and reviewed the results of the internal auditor's work on a periodic basis, ensuring the plan is being followed and that the internal audit is not being utilised to undertake unauthorised work;
- Reviewed and monitored management's responsiveness to the internal auditor's findings and recommendations;
- Monitored and assessed the role and effectiveness of the internal audit function in the overallcontext of the Company's risk management system;
- Ensured that the Internal Audit Head reports functionally to the Committee;
- Ensured that the IAF has an appropriate budget and that it is appropriately skilled and resourced;
- Met regularly as required with the Internal Audit Department and the Chief Audit Executive.

The Internal Audit department issued many reports highlighting some deficiencies in internal control systems. These reports go back a number of years and most of these reportable matters have not been addressed satisfactorily as yet.

The Minister has requested monthly reports on steps taken to address the outstanding audit matters. The Audit Committee is monitoring the processes put in place by Internal Audit and assessing its effectiveness in addressing and resolving the outstanding audit matters.

3.4 External audit and related matters

Deloitte & Touche and Sizwe Ntsaluba Gobodo Incorporated (the firm) are the Company's appointed joint external auditors. The Committee has played an oversight role in respect of the external audit process to ensure its effectiveness. Amongst others, the Committee:

- Reviewed and discussed with the external auditor:
  - the findings of their work;
  - any major issues that arose during the course of the audit that have subsequently been resolved, and those issues that have been left unresolved;
  - key accounting and audit judgements;
  - levels of errors identified during the audit;
  - errors that have remained unadjusted;

Audit Committee Report

- Reviewed the audit representation letters before submission to the Board , giving particular consideration to matters that relate to non-standard issues;
- Assessed, at the end of the audit cycle, the effectiveness of the audit process by:
  - reviewing whether the auditor has met the agreed audit plan, and understanding the reasons for any changes, including changes in perceived audit risks and the work undertaken by the external auditors to address those risks;
  - reviewing and approving the fees actually charged by the external auditor for audit and non-audit services;
  - considering the robustness and perceptiveness of the auditors in their handling of the key accounting and audit judgements identified and in responding to questions from the Audit Committee, and in their commentary, where appropriate, on the systems of internal control;
  - obtaining feedback about the conduct of the audit from key people involved; and
  - reviewing the content of the external auditor's management letter, in order to assess whether it is based on a proper understanding of the Company's business, and
  - establishing whether recommendations have been acted upon and, if not, the reasons for this;
- Set/approved the firms terms of engagement;
- Reviewed the external auditors' report to the Committee and Management's responses thereto;
- Satisfied itself through enquiry that the firms are independent as defined in terms of prescribed legislation and that there has been no occurrence during the review period that has impaired this independent relationship between the Company and the firms;
- Whenever was possible, met and separately in confidence with the firms; and
- Through enquiry, ascertained that the firms have identified any irregularities that required reporting in terms of the Public Finance Management Act.

The firm has reported a number of matters that are being addressed in terms of the Public Finance Management Act.

The Audit Committee notes that the contract with the firm will be coming to an end at the end of the current financial year. after the conclusion of the audit process. The Company is in the process of appointing new external auditor(s) for the Group, including its subsidiaries. The Committee will ensure that the proper oversight role in terms of its charter is adopted and implemented with regard to the appointment of the new external auditor(s).

3.5 Risk, management assurance and ethics

The Committee formed an integral component of the risk management framework and, amongst others, monitored financial reporting risks, internal financial controls, fraud risks as it relates to financial reporting and IT risks as it relates to financial reporting. The Committee has played an oversight role in respect of risk, combined assurance and ethics and:

- Ensured the application of the management assurance model and monitored that it had appropriately and adequately addressed the significant risks facing the Company;
- Ensured that close cooperation had existed throughout the review period between external and internal audit, the risk management function, the secretariat, the legal and compliance function and other assurance providers;
- Considered developments in corporate governance and ensured that the principles of the Public Finance Management Act and King III are embedded within the Company;
- Fulfilled the Audit Committee function on behalf of certain subsidiaries of the Company and secured regular feedback from the Audit/Risk Committees of such subsidiaries;
- Reviewed and assured that the Committee's terms of reference is aligned with the most recent applicable legislation and governance codes;
- Reviewed the text of various reports, including the Corporate Governance Statement, for inclusion in the Integrated Report, the internal audit assurance statement and the risk management assurance
- Reviewed tax reports;
- Reviewed related-party transactions;
- Assisted the Board in assessing IT governance risks, controls and its overall effectiveness;

The Committee is of the opinion that the Company is addressing many of the weaknesses arising from certain of the above but is being restricted due to budgetary and other financial constraints.

Audit Committee Report

3.6 Management Reports

The Committee has raised its concerns at the quality of management reports and is satisfied that the reports supplied to the Board are satisfactory. Management has addressed all the matters raised by the Audit Committee.

4. Conclusion on fulfilment of duties and obligations

The Committee members collectively have sufficient qualifications and experience in the fields of commerce, finance, economics, external and internal audit processes, risk, financial, integrated and sustainability reporting, risk management, governance, compliance and law to fulfil their obligations.

In addition, the members have kept up to date with the latest developments in the business and in the audit environment. The members all bring invaluable integrity and experience to the Committee's deliberations and make positive contributions on an on-going basis. Throughout the review period they remained independent of character and their judgement has not been impaired in any way.

Given the above, the Committee is of the opinion that it has appropriately addressed its key responsibilities in respect of, amongst others, internal control, financial accounting control, stakeholder reporting and statutory and regulatory requirements.

5. Recommendation to Shareholder

There are processes underway within the Group to, in the next financial year, appoint additional members of the Committee to strengthen other areas of expertise required by the King III Code with regard to the competency and skills for Audit Committee members. The Audit Committee will make the relevant recommendations to the Board for the appointment of these additional members by the Shareholder during the AGM to be held in 2013.

In accordance with section 94 (2) of the Companies Act, the Audit Committee recommends that the Shareholder re-appoint, at the 2013 Annual General Meeting with the Shareholder, the following non-executive Directors as members of the Committee:

- Mr H Daniels - Interim Chairperson
- Mr R Sishuba - Appointed 1 March 2012; and
- Ms G Simelane - Appointed 25 April 2012.

After having considered the audited Annual Financial Statements of South African Post Office (SOC) Limited as tabled to the Audit Committee on 19 July 2013, the Audit Committee recommended the Audited Financial Statements for approval by the Board and for tabling to the Shareholder at the Annual General Meeting to be held in 2013.

Hilmi Daniels

BCompt Hons(Unisa) (CA)SA LLM(UCT)
Interim Chairperson of the Audit Committee
On behalf of the Audit Committee

July 31, 2013

Directors' Report

The Directors submit their 21st annual report for the year ended 31 March 2013. This report and the audited Financial Statements have been prepared in compliance with the requirements of International Financial Reporting Standards (IFRS), the Public Finance Management Act No 1 of 1999 as amended, and the Companies Act No 71 of 2008 of South Africa, as amended.

1. Review of activities

Main business and operations

The business of the Company is:

(a) The provision of universal, accessible, reliable and affordable postal services to the people of the Republic of South Africa in terms of the South African Post Office (SOC) Limited Act No 22 of 2011 and the Postal Services Act No 124 of 1998;

(b) To conduct the business of a bank that will encourage and attract savings amongst the people of the Republic of South Africa in accordance with the Postbank Act No 9 of 2010, as amended and the relevant sections of the Postal Services Act No 124 of 1998, and also to provide agency services;

(c) To provide an infrastructure for the movement of paper and electronic documents between members in various industries and become the preferred partner in the judicial system through its subsidiary the Document Exchange Group; and

(d) To provide courier, freight and related logistical services to business within and beyond South African boundaries.

2. Vision

To be recognised among the leading providers of postal and related services in the world.

3. Mission

We will enable the nation to efficiently connect with the world by distributing information, goods, financial and government services, leveraging our broad reach and embracing change, technology and innovation.

4. General Overview

The business of the Group is conducted through its operating divisions: Mail, Consumer Services, Postbank as well as its operating subsidiaries within logistics – The Courier and Freight Group (Pty) Ltd (i.e. CFG) and The Document Exchange (Pty) Ltd, (i.e. Docex).

These divisions and subsidiaries are responsible for all the trading activities of the Group, which are conducted through the mail distribution network as well as the infrastructure of service points available throughout the country. The main support divisions in the Group are Human Resources, Information Technology, Property Management, Finance, Risk and Compliance, Security and Investigation Services, Sales and Customer Services, Corporate Services, Marketing, Supply Chain Management, Internal Audit and Strategic Planning.

5. Financial Results

The Group's revenue comprises of approximately 93% from the company and approximately 7% from the subsidiaries, while the expenses comprises of approximately 94% from the company and approximately 6% from the subsidiaries. The Group figures below are thus representative of the Company as the subsidiary contributions are not material.

Total comprehensive losses for the Group was R178.687 million (2012: R158.888 million profit), after taxation of R28.295 million credit (2012: R92.271 million debit).

Directors' Report

Revenue decreased by 0.09% to R 5.696 billion (2012: R 5.701 billion). The Group realised an increase of R 450.364 million in the operating loss to R 377.218 million (2012: R 73.146 million operating profit).

Lower mail and courier volumes, labour unrest and the loss of the SASSA grant pay-out business during the year under review also contributed to the reduction in net profit. The strike action by South African Post Office (SOC) Limited employees during August 2012 and February 2013 contributed to approximately R 100 million losses in revenue. The strike action by the Road Freight Industry as well as the Cash-in-Transit Security industry also negatively impacted our operations and customer service. Additional costs were also incurred to clear backlogs resulting from the strike action.

The lower revenues were to some extent offset by cost optimisation and containment measures across the Group that resulted in the suppressed growth of 4.4% in operating expenses to R 6.296 billion (2012: R 6.029 billion).

The South African Post Office (SOC) Limited received specific funding of R 51.964 million (2012: R 180.442 million) for the year ended 31 March 2013. This was used to fund the marginal post offices in the under-serviced areas so that we can meet the universal service obligation. These post offices generate revenues of R 73 million but have an operating cost structure of R 473 million resulting in a loss of R 400 million per annum. Postbank also reaches the unbanked segment through the under-serviced channel footprint.

No funding will be received from the Shareholder for the 2014 financial year. The Company will therefore need to review the future extent of its universal service costs. The universal service obligation priorities that are being carried out by the Company will have to be reviewed in line with the business sustainability model, funding model and the execution of the mandate in light of the removal of the subsidy from Government. In the meantime the South African South African Post Office (SOC) Limited has included the continued requirement for this funding in its 2013 Medium Term Expenditure Framework (MTEF) submission request.

The South African Post Office (SOC) Limited, through its retail branches, is a vital channel for delivering government services. This partnership has seen continued growth in the motor vehicle licence renewals and traffic fine payments whilst the Pay-a-Bill service declined marginally. The retail footprint also allows financial and banking services to be accessible to rural communities.

The Postbank Corporatisation process has commenced and funding of R 481 million has been allocated by the National Treasury over the MTEF period.

Capital expenditure for the year amounted to R 158.823 million (2012: R 105.895 million). Cash used in operating activities was R 371.186 million (2012: R 360.820 million cash generated), being a decline of R 731.98 million from the cash generated in the previous year.

Fruitless and wasteful expenditure amounted to R 39.132 million (2012: R38. 338 million). These expenditures are made up of fines and penalties of suppliers and third party customers, as well as rental incurred on leased property before taking up occupation.

Material losses due to criminal conduct amounted to R 5.275 million (2012: R 31.160 million) due to the fraudulent incidents. R 28.5 million of the prior year incident relating to Postbank was recovered in the current year.

Total irregular expenditure increased to R 117. 366 million (2012: R71. 713 million) after an amount of R2.121 billion has been condoned during the year under review.

6. Going concern

The Group sustained a net loss of R 178.687 million (2012: R 157.855 million profit) for the year. The net loss resulted from the decline in revenues contributed by lower customer volumes, the loss of the SASSA social grant pay-out business and the labour strike action during the year.

Directors' Report

As at 31 March 2013 the Group's total assets exceeded the total liabilities by R 2.534 billion (2012: R 2.712 billion). Revenue growth initiatives and cost optimisation form the basis of our turnaround strategy that will realise an improvement to the financial position.

The removal of the subsidy by Government means that the South African Post Office (SOC) Limited has to be sustainable from revenues generated whilst funding the cost of the marginal post offices in the under-serviced areas.

The Postbank Corporatisation will also add further pressure to the performance of the South African Post Office (SOC) Limited to fund the escalating costs of the retail network.

The Consolidated Annual Financial Statements have been prepared on the basis of accounting policies applicable to a going concern, which the Directors deemed appropriate. The basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

7. Events after the reporting period

The Directors are not aware of any matter or circumstance arising since the end of the financial year, not otherwise dealt with in the Financial Statements that will have a significant effect on the results of the Group, the results of the operations or the financial position of the Group.

8. Directors' interest in contracts

There were no Directors' interests in contracts at year end.

9. Authorised and issued share capital

The authorised share capital of the Company is R1 billion, divided into one billion ordinary par value shares of R1 each, of which 200 939 821 have been issued to the Shareholder.

10. Borrowing limitations

The Company is a Schedule 2 entity as per the Public Finance Management Act. In terms of Section 66 (3) (a), the accounting authority may borrow money or issue a guarantee, indemnity or security, or enter into any other transaction that binds or may bind that public entity to any financial committment

11. Non-current assets

There were no major changes in the nature of the non-current assets of the Group during the year.

There were no changes in policies relating to the use of non-current assets.

12. Board of Directors

The South African Post Office (SOC) Limited Act No 22 of 2011 provide for a maximum of seventeen (17) Directors, including the Chief Executive Officer, the Chief Operations Officer, the Chief Financial Officer and the Postbank Managing Director as an ex officio. The Board meets at pre-arranged meeting dates at least four times in a year and at such other times as deemed necessary by the Chairperson. The Board holds annual workshops at least twice a year to review the Group's business strategy and to conduct the Group annual risk assessment.

Directors' Report

13. Secretary

The Secretary of the Group is Ms BS Bulunga of:

Business address	350 Witch Hazel Avenue Highveld Extension 70 Centurion 0157
Postal address	PO Box 10000 Pretoria 0001

14. Holding Company

The Company is a State Owned Company (SOC) Limited incorporated in the Republic of South Africa and its registered address and also the domicilium et executandi is:

Post Office Head Office
Eco Point Building
350 Witch-Hazel Avenue
Highveld
Centurion
0157

15. Interest in subsidiaries

Details of the Company's investment in subsidiaries are set out in note 8.

The Holding Company's interest in profit earned and losses after tax incurred by subsidiaries for the year is as follows:

Name of subsidiary	2013	2012
Centriq Insurance Innovation Limited	2 399	15 699
Sapos Properties (Bloemfontein) (Pty) Ltd	(28)	(25)
Sapos Erf 145018 (Cape Town) (Pty) Ltd	(29)	(36)
Sapos Properties (East Rand) (Pty) Ltd	(165)	(135)
Sapos Properties (Port Elizabeth) (Pty) Ltd	(129)	(189)
Sapos Properties (Rossburgh) (Pty) Ltd	48	49
The Courier and Freight Group (Pty) Ltd	(49 834)	(47 436)
The Document Exchange (Pty) Ltd	(826)	724
Total interest in subsidiaries	**(48 564)**	**(31 349)**

The South African Post Office (SOC) Limited has undertaken to provide the Courier and Freight Group (Pty) with financial support as per the approved corporate plan and budgets as approved by the Shareholder. Subordination agreements are in place for each of the following subsidiaries of the South African Post Office (SOC) Limited:

- Sapos Properties (Bloemfontein) (Pty) Ltd
- Sapos Properties (Cape Town) (Pty) Ltd
- Sapos Properties (Port Elizabeth) (Pty) Ltd
- Sapos Properties (Rossburgh) (Pty) Ltd
- The Courier and Freight Group (Pty) Ltd

Directors' Report

16. Special resolutions

A special resolution was passed by the Shareholder on 3 August 2012 approving the continued Shareholder's support for the financial assistance provided to the Courier and Freight Group (Pty) Ltd (CFG) for the year under review until 31 March 2013. This is due to CFG's liabilities exceeding its assets.

At the next AGM it will be requested that the Shareholder continues support for the financial assistance provided to the CFG for the year ending 31 March 2014. This is due to CFG's liabilities exceeding its assets.

17. Auditors

Deloitte & Touche Inc and SizweNtsalubaGobodo Inc (the Firms') are the Group's external auditors. The firms were appointed the joint external auditors for the Group and its subsidiaries for the year under review. The contract with the firms ended during 2012. The Board of Directors, on the recommendation of the Audit Committee, requested through the Auditor-General's office the extension of the term of office of the firms for a further one (1) year to allow the conclusion of the required procurement processes for the appointment of new external auditors for the next five (5) year audit cycle which approval was granted by the Auditor-General. The South African Post Office (SOC) Limited is in the process of appointing a new external auditor(s) for the Group, including its subsidiaries, for the 2014 – 2018 financial years. The new external auditors for the Group will be appointed during 2013 and formally announced at the 2013 Annual General Meeting.

18. Liquidity and solvency

The Directors have performed the required liquidity and solvency tests required by the Companies Act 71 of 2008 (refer to note 48 - Going concern).

19. Fruitless and wasteful and irregular expenditure

As per the requirement of the Board the South African Post Office (SOC) Limited has formulated a Financial Misconduct Framework which creates a framework to enable Management of financial misconduct activities such as fruitless & wasteful and irregular expenditure.

A Financial Misconduct Committee has been established and mandated through the financial misconduct policy to regulate, monitor and report on all proven fruitless, wasteful and irregular expenditure and institute management consequences that need to be carried out.

The Financial Misconduct Committee is reviewing certain instances of potential non-compliance with laws, policies and procedures and will report on same, if there are any, in the next reporting period.

20. Postbank Corporatisation

During the 2010/2011 financial period the South African Postbank Limited Act no 9 of 2010 was signed into law providing for the establishment of a subsidiary Company to the South African Post Office (SOC) Limited. The South African Postbank Limited, to which the designated assets and liabilities of the current Postbank division will be transferred in terms of the Postbank Act No 9 of 2010. It is envisaged that the new subsidiary will operate as a fully fledged bank and will be regulated in terms of the Banks Act. Preparations for the submission of the application to form a bank are currently underway and are anticipated to be completed during the new financial year.

The process is expected to take approximately two (2) years after the submission of the bank applications.

Statement of Financial Position as at 31 March 2013

		Group			Company		
Figures in Rand thousand	Note(s)	2013	2012	2011	2013	2012	2011
Assets							
Non-Current Assets							
Investment property	5	21 161	20 379	18 596	21 161	20 379	18 596
Property, plant and equipment	6	1 153 615	1 184 449	1 259 414	1 131 748	1 158 943	1 226 998
Intangible assets	7	85 604	64 439	82 917	84 443	62 729	81 060
Investments in subsidiaries	8	-	-	-	37 639	37 745	37 745
Loans and long term receivables to group companies	9	-	-	-	41 826	2 851	4 858
Investments and other financial assets	11	567 945	531 296	467 044	567 945	531 296	467 044
Deferred tax	13	345 531	316 425	285 093	342 072	313 560	282 280
		2 173 846	**2 116 988**	**2 113 064**	**2 226 834**	**2 127 503**	**2 118 581**
Current Assets							
Inventories	16	50 854	61 293	47 448	50 812	61 102	47 264
Investments and other financial assets	11	4 172 677	4 391 425	2 553 989	4 058 966	4 286 742	2 460 829
Current tax receivable	40	34 292	503	432	34 163	-	-
Operating lease asset	14	6	-	-	-	-	-
Trade and other receivables	17	608 473	527 699	625 655	552 583	473 205	589 213
Cash and cash equivalents	18	3 276 755	3 277 157	4 756 214	3 237 394	3 237 102	4 725 228
		8 143 057	**8 258 077**	**7 983 738**	**7 933 918**	**8 058 151**	**7 822 534**
Non-current assets held for sale	19	-	201	-	-	-	-
Total Assets		**10 316 903**	**10 375 266**	**10 096 802**	**10 160 752**	**10 185 654**	**9 941 115**
Equity and Liabilities							
Equity							
Share capital	20	200 940	200 940	200 940	200 940	200 940	200 940
Non-distributable reserves	21&22	749 887	750 010	750 862	749 887	750 010	750 862
Retained income		1 582 683	1 761 247	1 602 540	1 551 170	1 709 935	1 561 089
		2 533 510	**2 712 197**	**2 554 342**	**2 501 997**	**2 660 885**	**2 512 891**
Liabilities							
Non-Current Liabilities							
Operating lease liability	14	48 720	44 047	26 982	48 498	43 507	26 093
Retirement benefit obligation	15	1 090 745	1 114 131	1 081 257	1 090 145	1 113 537	1 080 533
Provisions	25	132 622	121 405	248 542	126 539	108 595	227 776
		1 272 087	**1 279 583**	**1 356 781**	**1 265 182**	**1 265 639**	**1 334 402**
Current Liabilities							
Amount owing to Shareholder	10	270 674	248 327	226 975	270 674	248 327	226 975
Subsidy unutilised	23	79 580	94 602	237 458	79 580	94 602	237 458
Current tax payable	40	826	8 937	28 521	-	7 947	27 843
Operating lease liability	14	20 421	16 255	24 414	19 044	15 159	24 373
Trade and other payables	29	720 046	747 989	768 742	663 019	676 351	719 302
Retirement benefit obligation	15	126 666	121 908	148 449	126 625	121 867	147 554
Unearned revenue	24	354 941	373 049	360 234	317 452	335 606	329 180
Provisions	25	314 538	253 029	123 811	294 265	242 314	118 861
Deposits from the public	26	4 492 211	4 257 864	3 984 022	4 492 211	4 257 864	3 984 022
Funds collected on behalf of third parties	27	130 703	259 093	278 254	130 703	259 093	278 254
Outstanding insurance claims	28	700	2 433	4 799	-	-	-
		6 511 306	**6 383 486**	**6 185 679**	**6 393 573**	**6 259 130**	**6 093 822**
Total Liabilities		**7 783 393**	**7 663 069**	**7 542 460**	**7 658 755**	**7 524 769**	**7 428 224**
Total Equity and Liabilities		**10 316 903**	**10 375 266**	**10 096 802**	**10 160 752**	**10 185 654**	**9 941 115**

Statement of Comprehensive Income

		Group		Company	
Figures in Rand thousand	Note(s)	2013	2012	2013	2012
Revenue	31	5 696 236	5 700 797	5 314 239	5 322 616
Other income		222 498	401 655	248 188	425 803
Operating expenses		(2 228 235)	(2 220 402)	(2 145 704)	(2 144 175)
Employee costs		(3 600 566)	(3 372 014)	(3 458 025)	(3 244 445)
Transport costs		(467 151)	(436 890)	(312 573)	(294 501)
Operating (loss) profit	32&37	**(377 218)**	**73 146**	**(353 875)**	**65 298**
Finance income	33	143 557	166 981	139 213	158 876
Fair value adjustments	34	98 855	62 436	98 855	62 436
Interest paid	35	(72 053)	(51 585)	(71 905)	(49 575)
(Loss) profit before tax		**(206 859)**	**250 978**	**(187 712)**	**237 035**
Taxation	36	28 295	(92 271)	28 947	(88 189)
(Loss) profit for the year		**(178 564)**	**158 707**	**(158 765)**	**148 846**
Other comprehensive income:					
Available-for-sale financial assets adjustments		(149)	(852)	(149)	(852)
Tax related to components of other comprehensive income		26	-	26	-
Other comprehensive loss for the year net of tax	38	**(123)**	**(852)**	**(123)**	**(852)**
Total comprehensive (loss) income for the year		**(178 687)**	**157 855**	**(158 888)**	**147 994**

South African Post Office (SOC) Limited

(Registration number 1991/005477/06)
Consolidated Annual Financial Statements for the year ended 31 March 2013

Statement of Changes in Equity

Figures in Rand thousand	Share capital	Fair value adjustment assets-available-for-sale reserve	Other NDR	Total reserves	Retained income	Total equity
Group						
Balance at 01 April 2011	**200 940**	**862**	**750 000**	**750 862**	**1 602 540**	**2 554 342**
Profit for the year	-	-	-	-	158 707	158 707
Other comprehensive income	-	(852)	-	(852)	-	(852)
Total comprehensive income for the year	**-**	**(852)**	**-**	**(852)**	**158 707**	**157 855**
Balance at 01 April 2012	**200 940**	**10**	**750 000**	**750 010**	**1 761 247**	**2 712 197**
Loss for the year	-	-	-	-	(178 564)	(178 564)
Other comprehensive income	-	(123)	-	(123)	-	(123)
Total comprehensive loss for the year	**-**	**(123)**	**-**	**(123)**	**(178 564)**	**(178 687)**
Balance at 31 March 2013	**200 940**	**(113)**	**750 000**	**749 887**	**1 582 683**	**2 533 510**
Company						
Balance at 01 April 2011	**200 940**	**862**	**750 000**	**750 862**	**1 561 089**	**2 512 891**
Profit for the year	-	-	-	-	148 846	148 846
Other comprehensive income	-	(852)	-	(852)	-	(852)
Total comprehensive income for the year	**-**	**(852)**	**-**	**(852)**	**148 846**	**147 994**
Balance at 01 April 2012	**200 940**	**10**	**750 000**	**750 010**	**1 709 935**	**2 660 885**
Loss for the year	-	-	-	-	(158 765)	(158 765)
Other comprehensive income	-	(123)	-	(123)	-	(123)
Total comprehensive loss for the year	**-**	**(123)**	**-**	**(123)**	**(158 765)**	**(158 888)**
Balance at 31 March 2013	**200 940**	**(113)**	**750 000**	**749 887**	**1 551 170**	**2 501 997**
Note(s)	20	21 & 38	22		38	

Statement of Cash Flows

		Group		Company	
Figures in Rand thousand	Note(s)	2013	2012	2013	2012
Cash flows from operating activities					
Cash (used in) generated from operations	39	(401 561)	388 360	(325 929)	373 855
Interest received	33	141 640	163 648	137 296	155 543
Dividends received	33	1 917	3 333	1 917	3 333
Interest paid	35	(70 481)	(51 585)	(71 905)	(49 575)
Tax paid	40	(42 701)	(142 936)	(41 675)	(139 043)
Net cash (used in) generated from operating activities		**(371 186)**	**360 820**	**(300 296)**	**344 113**
Cash flows from investing activities					
Purchase of property, plant and equipment	6	(110 843)	(86 610)	(108 757)	(86 037)
Sale of property, plant and equipment	6	11 267	2 952	4 513	2 596
Purchase of investment property	5	(352)	(3)	(352)	(3)
Purchase of other intangible assets	7	(47 628)	(19 282)	(47 627)	(19 228)
Sale of other intangible assets	7	-	315	-	316
Net movement in loans with group companies		-	1	(38 975)	(12 561)
Net movement in financial assets		279 973	(1 887 222)	250 114	(1 869 660)
Net cash generated (used in) investing activities		**132 417**	**(1 989 849)**	**58 916**	**(1 984 577)**
Cash flows from financing activities					
Movement of subsidy unutilised		(15 022)	(142 856)	(15 022)	(142 856)
Movement in deposits from the public		234 347	273 842	234 347	273 842
Movement in outstanding insurance claims		(1 733)	(2 366)	-	-
Net movement on the loan from the Shareholder		22 347	21 352	22 347	21 352
Net movement in finance leases		(1 572)	-	-	-
Net cash from financing activities		**238 367**	**149 972**	**241 672**	**152 338**
Total cash movement for the year		**(402)**	**(1 479 057)**	**292**	**(1 488 126)**
Cash at the beginning of the year		3 277 157	4 756 214	3 237 102	4 725 228
Total cash at the end of the year	18	**3 276 755**	**3 277 157**	**3 237 394**	**3 237 102**

Accounting Policies

1. Presentation of Consolidated Annual Financial Statements

The Consolidated Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards, IFRIC Interpretations, and the Companies Act 71 of 2008. The Consolidated Annual Financial Statements have been prepared on the historical cost basis, except that the following assets and liabilities are carried at fair value: available-for- sale financial assets and financial assets and liabilities measured at fair value through profit and loss. These Consolidated Annual Financial Statements incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period and are set out below:

1.1 Consolidation

Basis of consolidation

The Consolidated Annual Financial Statements incorporate the Annual Financial Statements of the Company and all entities, including special purpose entities, which are controlled by the Company.

Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries are included in the Consolidated Annual Financial Statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the Consolidated Annual Financial Statements of subsidiaries to bring their accounting policies in line with those of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Subsidiaries

Subsidiaries are those entities in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has the power to govern the financial and operating policies so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the Statement of Comprehensive Income.

Subsidiaries are consolidated from the date on which effective control is transferred to the Group and consolidation ceases from the date of disposal or the date on which control ceases. All inter-Company transactions, balances and unrealised surpluses and deficits on transactions between Group entities have been eliminated. Accounting policies have been applied consistently by Group entities.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty

In preparing the Consolidated Annual Financial Statements , Management is required to make estimates and assumptions that affect the amounts represented in the Consolidated Annual Financial Statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future years if the revision affects both current and future years. Actual results in the future could differ from these estimates which may be material to the Consolidated Annual Financial Statements . Significant judgements include:

Trade receivables, Held to maturity investments and Loans and receivables

The Group assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset (refer to note 8 - Investment in subsidiaries).

The impairment of trade and other receivables was based on a combination of specifically identified doubtful debtors and providing for older debtors (refer to note 17 - Trade receivables).

Available-for-sale financial assets

The Group follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Allowance for slow moving, damaged and obsolete stock

A provision for stock to be written down was provided on the lower of cost or net realisable value (refer to note 16 - Inventory). Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in note 32 - Operating profit (loss).

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing of non - financial assets

The recoverable amounts of individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The Group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply and demand, together with economic factors based on the industry.

Provisions

Provisions were raised in terms of decommissioning costs and onerous contracts. Management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 25 - Provisions.

Expected manner of realisation for deferred tax

Deferred tax is provided for on the fair value adjustments of other financial asset investments based on the expected manner of recovery, i.e. sale or use. This manner of recovery affects the rate used to determine the deferred tax liability (refer to note 13 - Deferred tax).

Deferred tax assets are recognised to the extent that it is probable that the taxable income will be available in future against which these can be utilised. The raising of deferred tax assets is a process that is based on certain assumptions about the ability of the entity to generate future profits in order to utilise the future tax benefits.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Contingent liablities

Management applies its judgement to the fact of patterns and advice it receives from its attorneys, advocates, and other advisors in assessing if an obligation is probable, more likely than not or remote. This judgement application is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability (refer to note 42 - Contingent liability).

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Onerous Contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract is lower than the unavoidable cost of meeting its obligations under the contract.

Other

The following are additional critical judgements and estimates that the Directors have made in the process of applying the entities' accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements:

- Refer to Accounting Policy 1.5 - Useful lives of property, plant and equipment;
- Refer to Accounting Policy 1.7 - Useful lives of intangible assets;
- Refer to Accounting Policy 1.11 - Leases (when substantially all the risks and rewards of ownership have passed);
- Refer to note 5 - Investment property;
- Refer to note 15 - Retirement benefits;
- Refer to note 24 - Unearned revenue.

1.3 Heritage assets

Heritage assets are stated at cost or at fair value if the asset was acquired through a non-exchange transaction. The cost of Heritage assets includes all costs that are incurred in order to bring the asset into the location and condition necessary to enable it to operate as intended by management and includes the cost of materials, direct labour, and the initial estimate, where applicable, of the cost of dismantling and removing the item and restoring the site on which it is located.

Subsequent expenditure relating to an item or part of an item of a heritage asset is capitalised when it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Costs of repairs and maintenance are recognised as an expense in the period in which it is incurred.

Heritage assets held by the Group are not depreciated, although the Group assesses at each reporting date whether there are any indications that the heritage assets may be impaired. If any such indication is exists, the Group shall estimate the recoverable amount or the recoverable service amount of the heritage assets.

The carrying amount of a heritage asset shall be derecognised at the earlier of the date of disposal or the date when no future economic benefits are expected from its use or disposal. Gains or losses on derecognition of heritage assets are included in the Statements of Comprehensive Income. The gain or loss is the difference between the net disposal proceeds and the carrying amount of the asset.

1.4 Investment property

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Investment properties are properties held for the purpose of earning rental income or for capital appreciation or both. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, and are accounted for in line with the Group policy on property, plant and equipment refer to Accounting policy - 1.5.

Accounting Policies

1.4 Investment property (continued)

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. These changes in estimate are accounted for on a prospective basis.

Cost model

Investment property is carried at cost less depreciation less any accumulated impairment losses.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. Each part of an item of investment property with a cost that is significant in relation to the total cost of the item is depreciated separately. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Depreciation is recognised in profit and loss and commences from when the asset is available to operate and ceases at the end of the useful life of the property. It is provided for to write down the cost, less estimated residual value on straight line basis over the useful life of the property, which is as follows:

Item	Useful life
Freehold land and buildings	30 - 100 years

The above assumptions are consistent with the prior year.

The gain or loss arising from the derecognition of an item of investment property is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of investment property is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Land is not depreciated as it is deemed to have an indefinite useful life.

1.5 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the Group; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. Costs of repairs and maintenance are recognised as an expense in the period in which it is incurred.

Property, plant and equipment are depreciated on the straight line basis and charged to the Statement of Comprehensive Income over their expected useful lives to their estimated residual value from when it is available to operate as intended by Management. Land is not depreciated as it is deemed to have an indefinite useful life.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. No fixed assets in the Group were impaired during the period.

Accounting Policies

1.5 Property, plant and equipment (continued)

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	**Average useful life**
Buildings	30 - 100 years
Data processing equipment	3 - 8 years
Furniture and fixtures	3 - 12 years
Land	Indefinite
Leasehold improvements	1 - 3 years
Motor vehicles	3 - 20 years
Plant and machinery	3 - 20 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. These changes in estimate are accounted for on a prospective basis.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets held under finance lease are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease. Estimates of useful lives, residual values and methods of depreciation are reviewed annually and any changes are accounted for prospectively as changes in accounting estimate.

Freehold land and buildings as well as significant components to the buildings are stated at the carrying value thereof. The useful life of each building is deemed to equate its economic useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Assets under construction are stated at cost which includes all directly attributable costs incurred in bringing it to its present location and condition.

Depreciation on assets under construction begins when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by Management.

1.6 Site restoration and dismantling cost

The Company has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Accounting Policies

1.6 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:
- changes in the liability are added to, or deducted from, the cost of the related asset in the current period
- if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in profit or loss.
- if the adjustment results in an addition to the cost of an asset, the entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in profit or loss.

1.7 Intangible assets

An intangible asset is recognised when:
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are subsequently carried at cost less any accumulated amortisation and any impairment losses. Subsequent expenditure on intangible assets is capitalised only when it increases future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. There were no intangible assets with an indefinite useful life at year end.

For all other intangible assets amortisation is provided on a straight line basis and commences from when the intangible asset is available to operate and ceases at the end of its useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end, with effect of any changes in estimate accounted for on a prospective basis.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life. No intangible assets in the Group have been impaired during this period (2012: R 0).

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Accounting Policies

1.7 Intangible assets (continued)

Amortisation is provided to write down the intangible assets over the estimated useful life of the asset, on a straight line basis and charged to the Statement of Comprehensive Income, to their residual values as follows:

Item	Useful life
Licenses	1-3
Software	2-8
Software Personal Computer	1-3

1.8 Investments in subsidiaries

Group Consolidated Annual Financial Statements

In the Company's separate Consolidated Annual Financial Statements , investments in subsidiaries are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of:
- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Company; plus
- any costs directly attributable to the purchase of the subsidiary.

1.9 Financial instruments

Classification

The Group classifies financial assets and financial liabilities into the following categories:
- Financial assets at fair value through profit or loss - held-for-trading (FVTPL)
- Financial assets at fair value through profit or loss - designated (FVTPL)
- Held-to-maturity investments
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities at fair value through profit or loss - designated (FVTPL)
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained or incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

The effective interest method is a method of calculating the amortised cost of the financial asset 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 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 financial asset or where appropriate a shorter period. Income is recognised on the effective interest basis on the net carrying amount of debt instruments other than on the net carrying amount of those financial assets designated as at FVTPL - designated.

A financial asset is classified as at FVTPL where the financial asset is either held-for-trading or designated as such upon initial recognition. Financial assets at FVTPL are stated at fair value with any resulting gains or losses recognised in profit and loss.

The Group may designate any financial assets at FVTPL in line with the Group's investment strategy and Asset and Liability (ALCO) policy and this would first be approved at the Group's ALCO Committee meeting as per the Group's treasury policy requirements.

Accounting Policies

1.9 Financial instruments (continued)

Financial assets are classified as available-for-sale where the intention with regard to the instrument and its origination does not fall within the ambit of other financial asset classifications.

A financial asset classified as available-for-sale that would have met the definition of loans and receivables may be reclassified to loans and receivables if the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

Initial recognition and measurement

Financial liabilities measured at amortised cost are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method with interest expense recognised on an effective yield basis.

Financial instruments are recognised initially when the Group becomes a party to the contractual provisions of the instruments. The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

Regular way purchases of financial assets are accounted for at trade date. Investments are recognised and derecognised on trade date. Trade day is defined as the day where all risks and rewards associated with the investment are transferred and where the purchase or sale of an investment is under a contract whose terms require delivery of the instrument within the timeframe established by the market concerned. The initial measurement is at fair value plus transaction costs, except for those financial assets classified at FVTPL which are initially measured at fair value.

Subsequent measurement

Financial instruments at FVTPL are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

Net gains or losses on the financial instruments at FVTPL exclude dividends and interest.

Dividend income is recognised in profit or loss as part of other income when the Group's right to receive payment is established.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses. Interest income is recognised by applying the effective interest rate except for short-term receivables where the recognition of interest would be immaterial.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the intent and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses, with revenue recognised on an effective yield basis. The Group's cash on hand and cash in the bank equivalents and short-term deposits (i.e fixed and cancelable deposits) are included in the held-to-maturity category.

Accounting Policies

1.9 Financial instruments (continued)

Financial assets are classified as available-for-sale where the intention with regard to the instrument and its origination does not fall within the ambit of other financial asset classification. Available for sale financial assets are measured at fair value, with fair value gains and losses recognised directly in other comprehensive income as the available-for-sale equity revaluation reserve. Interest is calculated using the effective interest method. Where the financial asset is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the available for sale reserve is included in profit or loss for the period. Negotiable Certificates of Deposits ('NCDs") and Equity Investments held by the Group are classified under available-for-sale financial assets. Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in profit or loss as part of other income. Dividends received on available-for-sale equity instruments are recognised in profit or loss as part of other income when the Group's right to receive payment is established.

Changes in fair value of available-for-sale financial assets denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost and other changes in the carrying amount.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive dividends is established. Financial assets may be designated as available-for-sale in accordance with the Group Asset and Liability Management (ALM) investment strategy.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Financial liabilities at FVTPL are subsequently measured at fair value excluding transaction cost on disposal. Change in fair value is directly recognised in profit and loss.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of the transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Regular way sales of financial assets are accounted for at trade date.

A financial liability (or part of a financial liability) is derecognised and removed from the Statement of Financial Position when it is extinguished, that is, when the obligation is discharged, cancelled or expires.

An exchange between an existing borrower and lender of debt instruments with substantially different terms, or the modification of the terms of the existing financial liability, shall be recognised as an extinguishments of the original financial liability and the recognition of a new financial liability.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Accounting Policies

1.9 Financial instruments (continued)

Impairment of financial assets

Financial assets, other than those at FVTPL , are assessed for indications of impairment during the reporting period and at each reporting date in line with the Group's treasury policy. Financial assets are impaired where there is objective evidence that, as result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted.

For unlisted shares classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include

- significant financial difficulty of the issuer; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days as well as observable changes in the national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated cash flows, discounted at the financial asset's original effective interest rate.

Impairment losses are recognised in profit and loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the profit or loss. The Group's policy on the impairment of trade and other receivables is outlined in the below paragraphs of this note.

With the exception of available-for-sale equity instruments, if, in subsequent periods, 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 through profit or loss to the extent that carrying amount of the financial asset at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity securities, impairment losses previously recognised through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Accounting Policies

1.9 Financial instruments (continued)

Financial instruments designated as at FVTPL

Financial assets may be designated at initial recognition as at FVTPL if any of the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets and liabilities or recognizing gains or losses on them on a different basis;
- the assets and liabilities are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or
- the financial assets and liabilities contain an embedded derivative that would need to be separately recorded.

Loans to (from) group companies

These financial assets are classified as loans and receivables or payables. They include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs. Subsequently these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

Loans to group companies are classified as loans and receivables. An impairment loss on loans receivable is recognised in profit and loss when there is objective evidence that it is impaired. The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cashflow discounted at the effective interest rate computed at initial recognition.

Loans from Group companies are classified as loans and payables. An impairment loss on loans payable is recognised in profit and loss when there is objective evidence that it is impaired. The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cashflow discounted at the effective interest rate computed at initial recognition.

Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Loans to the Shareholders, Directors, Managers and Employees

These financial assets are initially recognised at fair value plus direct transaction costs.

Subsequently these loans are measured at amortised cost using the effective interest method, less any impairment loss recognised to reflect irrecoverable amounts

On loans receivable an impairment loss is recognised in profit or loss when there is objective evidence that it is impaired. The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition

Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

Accounting Policies

1.9 Financial instruments (continued)

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial re-organisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses refer to note 32 - Operating profit (loss). When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value including transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method. Other trade payables are initially measured at fair value and are subsequently measured at FVTPL with any resulting gains and losses recognised in profit and loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially recorded at fair value and subsequently measured using the effective interest method.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value including transaction costs, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs refer to Accounting policy - 1.21.

Other financial liabilities are measured initially at fair value and subsequently at amortised cost, using the effective interest method.

Held-to-maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the Group has the positive intention and ability to hold to maturity are classified as held-to-maturity.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at proceeds received, net of direct issue costs.

Accounting Policies

1.9 Financial instruments (continued)

Financial liabilities issued to the Group

Financial liabilities are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method with interest expense recognised on an effective yield basis.

The Group derecognises financial liabilities when and only when the Group obligations are discharged, cancelled or they expire.

Set off

Where a legally enforceable right of set-off exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are offset. Otherwise it is not allowed.

1.10 Taxation

Current tax assets and liabilities

Current tax on the profit or loss for the period comprise current and deferred tax. Taxable profit differs from profit as reported in the Consolidated Statement of Comprehensive Income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Income tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current taxation comprises tax payable calculated on the basis of the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustments of the tax payable for the previous period.

Deferred tax assets and liabilities

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction which:
  - is not a business combination; and
  - at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that both of the following conditions are satisfied:

- the parent, investor or venturer is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

Accounting Policies

1.10 Taxation (continued)

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, to the extent that it is probable that:

- the temporary difference will reverse in the foreseeable future; and
- taxable profit will be available against which the temporary difference can be utilised.

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the Statement of Financial Position date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.11 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases – lessee

Leases of property, plant and equipment where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

Accounting Policies

1.11 Leases (continued)

Finance leases are recognised as assets and liabilities in the Statement of Financial Position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation. Leased assets are depreciated over the shorter of the leased term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability.The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Where leases contain both land and building components, each component is considered separately for classification purposes. At inception of the lease, the minimum lease payments are allocated to the components in proportion to the relative fair values of the leasehold interests in the land and buildings element of the lease. If this cannot be measured reliably, then the lease is classified as a finance lease, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

Operating leases - lessor

Rental income from operating lease income is recognised as an income on a straight-line basis over the lease term in the Statement of Comprehensive Income.

Lease incentives granted are recognised as an integral part of the total rental income.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term in the Statement of Comprehensive Income. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. This liability is not discounted.

Lease incentives received are recognised as an integral part of the total rental income.

1.12 Inventories

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of finished goods comprise raw materials, direct labour, other direct costs and related production overheads, but excludes interest paid.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised (refer to note 32- Operating profit (loss)). The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net

Accounting Policies

1.12 Inventories (continued)

realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.13 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale or disposal group are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in profit or loss.

1.14 Impairment of non-financial assets

The Group assesses at each end of the reporting period whether there is any indication that assets other than deferred tax and inventories, may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a pre- tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Comprehensive Income.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

Accounting Policies

1.14 Impairment of non-financial assets (continued)

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in estimates used to determine the recoverable amount if related objectively to an event occurring after the impairment loss was recognised. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying value that would have been determined, net of depreciation and amortisation, if no impairment loss has been recognised. The reversal is recognised in the Statement of Comprehensive Income. After such a reversal, the depreciation charge is adjusted in future years to allocate the asset's carrying value, less any residual value, on a systematic basis over its remaining useful life.

1.15 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

1.16 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

A defined contribution plan is a pension plan under which the Group pays fixed contributions. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions are recognised as an expense as incurred.

Defined benefit plans

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. Defined benefit schemes are funded through payments to trustee-administered funds, determined by periodic actuarial calculations.

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to the end of the reporting period where the interim valuation is performed at an earlier date.

The liability recognised in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities which have terms of maturity approximating the terms of the related liability.

Accounting Policies

1.16 Employee benefits (continued)

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

Actuarial gains and losses are recognised in the year in which they arise, in other comprehensive income.

Cumulative actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of:
- 10% of the value of plan assets; or
- 10% of the defined benefit obligations are recognised in income over the employee's expected average remaining working lives.

Other post employment healthcare benefits
- Healthcare benefits

The entitlement to post retirement healthcare benefits is based on the employee remaining in service up to retirement age for employees retiring up to June 2005. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are charged or credited to the Statement of Comprehensive Income over the expected average remaining working lives of the relevant employees to the extent that they exceed the 10% corridor. These obligations are valued at every reporting period by independent qualified actuaries.

The expected cost of these benefits for past service is recognised immediately.
- Other long term benefits.

The Group has other long-term benefits that accrue to employees and certain pensioners. These consist of telephone and long service awards. The telephone awards are only awarded to pensioners that had retired before June 2005. The Group's net obligation in this regard is the amount of future benefit that employees or pensioners have earned in return for their service in the prior periods. The obligation is valued every period by independent qualified actuaries. Any unrecognised actuarial gains/losses and past service costs are recognised immediately in profit or loss.

Other Employment Benefits
- Leave accrual

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to reporting date. The South African Post Office (SOC) Limited leave liability is accounted for as a long term benefit as a significant portion that has vested will most probably not be utilised or encashed within twelve months of year-end. The annual leave obligations are valued at every reporting period by independent qualified actuaries. Any unrecognised actuarial gains or losses and past service costs are recognised immediately. For other Group companies the leave liability is accounted for as a short term benefit and is also actuarially valued.

1.17 Provisions and contingencies

Provisions are recognised when:
- the Group has a present, legal or constructive obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the financial reporting date, taking into account the risks and uncertainties surrounding the obligation.

Accounting Policies

1.17 Provisions and contingencies (continued)

Where the effect of the time value of money is material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision. A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Management applies its judgment to the fact of patterns and advice it receives from its attorneys, advocates and other advisors in assessing if an obligation is probable, more likely than not, or remote. This judgment application is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

1.18 Government grants

Government grants are recognised when there is reasonable assurance that:
- the Group will comply with the conditions attaching to them; and
- the grants will be received.

These are included in subsidy received in advance until they are utilised.

Government grants are recognised as income over the periods necessary to match them to the related costs on a systematic basis. Government grants relating to assets are recognised as a reduction of the cost of the asset acquired.

Government grants related to assets, including non-monetary grants at fair value, are presented in the Statement of Financial Position by setting up the grant as a deduction in arriving at the carrying amount of the asset.

Government grants received as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no future related costs are recognised as income in the period in which they become receivable.

Grants related to income are deducted from the related expense.

1.19 Revenue

Revenue from the sale of goods is recognised in the Statement of Comprehensive Income when all the following conditions have been satisfied:
- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Accounting Policies

1.19 Revenue (continued)

Revenue comprises income from services provided and the sale of retail products, excluding value added tax, rebates and discounts. These services include work performed as an agent of certain Government Departments, other authorities and businesses.

Revenue earned from the provision of services over a fixed period, such as post box rental, are earned in the Statement of Comprehensive Income on a straight line basis over the period of the service.

When a receivable is recognised, the Group reduces the carrying amount to its present value for significant receivables or receivables with extended payment terms. The present value represents the estimated future cash flows discounted at original effective interest rates. The unwinding of discount is recognised as interest income over the period.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Where the Company's role in a transaction is that of a principal, revenue is recognised on a gross basis. This requires revenue to comprise the gross value of the transactions billed to customers after trade discounts. Where the Company's role in a transaction is that of a agent, revenue is recognised on a net basis, with revenue representing the margin earned.

Interest is recognised on a time proportion basis, taking account of the principal amount outstanding and the effective rate over the period to maturity.

Royalties are recognised on the accrual basis in accordance with the substance of the relevant agreements.

Dividends are recognised, in profit or loss, when the Company's right to receive payment is established.

Dividends on available for sale equity instruments are recognised in profit or loss when the Group's right to receive dividends is established. Financial assets may be designated as available for sale in accordance with the Group's Asset and Liability Management (ALM) investment strategy.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.20 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

1.21 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use or sale. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Accounting Policies

1.21 Borrowing costs (continued)

Capitalisation is suspended during extended periods in which active development is interrupted and ceases when the asset is ready for its intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.22 Translation of foreign currencies

Functional and presentation currency

Items included in the Consolidated Annual Financial Statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (functional currency).

The Consolidated Annual Financial Statements are presented in Rand which is the Group functional currency.

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:
- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous Consolidated Annual Financial Statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

Group entities

The results and financial position of all Group entities (whose functional currency is not the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency of the Group are translated into the Group presentation currency as follows:
- assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position;
- income and expenses for each item of profit or loss are translated at exchange rates approximating to the foreign exchange rates ruling at the dates of the transactions; and
- all resulting exchange differences are recognised to other comprehensive income and accumulated as a separate component of equity.

Accounting Policies

1.22 Translation of foreign currencies (continued)

The results and financial position of all Group entities (whose functional currency is the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- All amounts (i.e assets, liabilities, equity items, income and expenses, including comparatives) are translated at the rates of exchange ruling at the reporting date.
- Comparative amounts are not restated if they have been translated into the Group's presentation currency in previous financial years.

The Group uses foreign exchange forward contracts (FECs) and customer foreign currency accounts to manage its exposure to foreign exchange risk. Both foreign exchange contracts and customer foreign currency accounts have been classified as held for trading. Both are initially recognised at fair value at the date a contract is entered into and are subsequently re-measured to the fair value at each reporting date.The resulting gain or loss is recognised in profit or loss.

A foreign exchange forward contract is presented as a non-current asset or non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Foreign exchange forward contracts are presented as current assets or current liabilities if the remaining maturity of the instrument is less than 12 months and it is expected to be realised or settled within 12 months.

The CFC foreign currency assets have been designated as fair value through profit and loss (FVTPL) and are revalued to Rand currency monthly. The resulting gains or losses from monthly revaluations are recognised in profit and loss. CFC assets are also presented as current assets as the foreign currency is held in overnight callable deposits.

On consolidation, exchange differences arising on a monetary item that forms part of a net investment in a foreign operation are recognised initially to other comprehensive income and accumulated in the translation reserve. They are recognised in profit or loss as a reclassification adjustment through to other comprehensive income on disposal of net investment. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the Statement of Comprehensive Income as part of the gain or loss on sale.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation at the exchange rate at reporting date.

1.23 Insurance contracts

The Group issues short-term insurance contracts that protect the Group's customers against the risk of loss or damage. These contracts transfer significant insurance risk. As a general guideline, the Group defines significant insurance risk as the possibility of having to pay benefits, on the occurrence of an insured event, that are at least 10% more than the benefits payable if the insured event did not occur.

For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the reporting date is reported as the unearned premium liability which is included under other payables.

Claims and loss adjustment expenses are charged to the Statement of Comprehensive Income as incurred based on the estimated liability for compensation owed to contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the reporting date even if they have not been reported to the Group. The Group does not discount its liabilities for unpaid claims other than for disability claims. Liabilities for unpaid claims are estimated based on past experience.

Accounting Policies

1.24 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Comprehensive Income in the period that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, is subsequently accounted for as revenue in the Statement of Comprehensive Income.

Notes to the Consolidated Annual Financial Statements

2. Changes in accounting policy

The Consolidated Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

IAS 1 (AC 101) Presentation of Financial Statements revised

The Group has decided to adopt the alternative method of presenting the Statement of Comprehensive Income, from the nature of expenses method to the function of expense method. This was adopted as a better representation of the entity's operations and does not constitute a change in accounting policy.

The change has been applied retrospectively.

3. New Standards and interpretations

3.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IFRS 7 Amendments to IFRS 7 (AC 144) Disclosures – Transfers of financial assets	01 July 2011	None
• IAS 12 Income Taxes: Amendment: Deferred Tax: Recovery of Underlying Assets	01 January 2012	None

3.2 Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 01 April 2013 or later periods:

IFRS 9 Financial Instruments

This new standard is the first phase of a three phase project to replace IAS 39 Financial Instruments: Recognition and Measurement. To date, the standard includes chapters for classification, measurement and derecognition of financial assets and liabilities. The following are main changes from IAS 39:

- Financial assets will be categorised as those subsequently measured at fair value or at amortised cost.
- Financial assets at amortised cost are those financial assets where the business model for managing the assets is to hold the assets to collect contractual cash flows (where the contractual cash flows represent payments of principal and interest only). All investments and other financial assets are to be subsequently measured at fair value.
- Under certain circumstances, financial assets may be designated as at fair value.
- For hybrid contracts, where the host contract is an asset within the scope of IFRS 9, then the whole instrument is classified in accordance with IFRS 9, without separation of the embedded derivative. In other circumstances, the provisions of IAS 39 still apply.
- Voluntary reclassification of financial assets is prohibited. Financial assets shall be reclassified if the entity changes its business model for the management of financial assets. In such circumstances, reclassification takes place prospectively from the beginning of the first reporting period after the date of change of the business model.
- Financial liabilities shall not be reclassified.

Notes to the Consolidated Annual Financial Statements

3. New Standards and interpretations (continued)

- Investments in equity instruments may be measured at fair value through other comprehensive income. When such an election is made, it may not subsequently be revoked, and gains or losses accumulated in equity are not recycled to profit or loss on derecognition of the investment. The election may be made per individual investment.
- IFRS 9 does not allow for investments in equity instruments to be measured at cost.
- The classification categories for financial liabilities remains unchanged. However, where a financial liability is designated as at fair value through profit or loss, the change in fair value attributable to changes in the liabilities credit risk shall be presented in other comprehensive income. This excludes situations where such presentation will create or enlarge an accounting mismatch, in which case, the full fair value adjustment shall be recognised in profit or loss.

The effective date of the standard is for years beginning on or after 01 January 2015.

The Group expects to adopt the standard for the first time in the 2016 Consolidated Annual Financial Statements.

The adoption of this standard is not expected to impact on the results of the Company, but may result in more disclosure than is currently provided in the Consolidated Annual Financial Statements.

IFRS 10 Consolidated Financial Statements

Standard replaces the consolidation sections of IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. The standard sets out a new definition of control, which exists only when an entity is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to effect those returns through power over the investee.

The effective date of the standard is for years beginning on or after 01 January 2013.

The Group expects to adopt the standard for the first time in the 2014 Consolidated Annual Financial Statements.

It is unlikely that the standard will have a material impact on the Company's Consolidated Annual Financial Statements.

IAS 27 Separate Financial Statements

Consequential amendment as a result of IFRS 10. The amended Standard now only deals with separate Financial Statements.

The effective date of the amendment is for years beginning on or after 01 January 2013.

The Group expects to adopt the amendment for the first time in the 2014 Consolidated Annual Financial Statements.

It is unlikely that the amendment will have a material impact on the Company's Consolidated Annual Financial Statements.

IFRS 11 Joint Arrangements

The standard replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities – Non Monetary Contributions by Venturers. The standard defines a Joint arrangement as existing only when decisions about relevant activities requires the unanimous consent of the parties sharing joint control in terms of a contractual arrangement. The standard identifies two types of joint arrangements as:

Notes to the Consolidated Annual Financial Statements

3. New Standards and interpretations (continued)

Joint operations which exist when the entities sharing joint control have direct rights to the assets and obligations for the liabilities of the joint arrangements. In such cases the joint operators recognise their share of the assets and liabilities and profits and losses of the joint arrangements in their Financial Statements.

Joint operations which exist when the entities sharing joint control have direct rights to the assets and obligations for the liabilities of the joint arrangements. In such cases the joint operators recognise their share of the assets and liabilities and profits and losses of the joint arrangements in their Financial Statements.

The effective date of the standard is for years beginning on or after 01 January 2013.

The Group expects to adopt the standard for the first time in the 2014 Consolidated Annual Financial Statements.

It is unlikely that the standard will have a material impact on the Company's Consolidated Annual Financial Statements.

IFRS 12 Disclosure of Interests in Other Entities

The standard sets out disclosure requirements for investments in subsidiaries, associates, joint ventures and unconsolidated structured entities. The disclosures are aimed to provide information about the significance and exposure to risks of such interests. The most significant impact is the disclosure requirement for unconsolidated structured entities or off balance sheet vehicles.

The effective date of the standard is for years beginning on or after 01 January 2013.

The Group expects to adopt the standard for the first time in the 2014 Consolidated Annual Financial Statements.

The adoption of this standard is not expected to impact on the results of the Company, but may result in more disclosure than is currently provided in the Consolidated Annual Financial Statements.

IFRS 13 Fair Value Measurement

New standard setting out guidance on the measurement and disclosure of items measured at fair value or required to be disclosed at fair value in terms of other IFRS's.

The effective date of the standard is for years beginning on or after 01 January 2013.

The Group expects to adopt the standard for the first time in the 2014 Consolidated Annual Financial Statements.

The adoption of this standard is not expected to impact on the results of the Company, but may result in more disclosure than is currently provided in the Consolidated Annual Financial Statements.

IAS 1 Presentation of Financial Statements

The amendment now requires items of other comprehensive income to be presented as:
- Those which will be reclassified to profit or loss.
- Those which will not be reclassified to profit or loss.

The related tax disclosures are also required to follow the presentation allocation.

In addition, the amendment changed the name of the Statement of Comprehensive Income to the Statement of Profit or Loss and Other Comprehensive Income.

Notes to the Consolidated Annual Financial Statements

3. New Standards and interpretations (continued)

The effective date of the amendment is for years beginning on or after 01 July 2012.

The Group expects to adopt the amendment for the first time in the 2014 Consolidated Annual Financial Statements.

The adoption of this amendment is not expected to impact on the results of the Company, but may result in more disclosure than is currently provided in the Consolidated Annual Financial Statements.

IAS 19 Employee Benefits Revised

- Require recognition of changes in the net defined benefit liability (asset) including immediate recognition of defined benefit cost, disaggregation of defined benefit cost into components, recognition of remeasurements in other comprehensive income, plan amendments, curtailments and settlements.
- Introduce enhanced disclosures about defined benefit plans.
- Modify accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affect the recognition and measurement of termination benefits.
- Clarification of miscellaneous issues, including the classification of employee benefits, current estimates of mortality rates, tax and administration costs and risk-sharing and conditional indexation features.

The effective date of the amendment is for years beginning on or after 01 January 2013.

The Group expects to adopt the amendment for the first time in the 2014 Consolidated Annual Financial Statements. The impact of this amendment is currently being assessed.

Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)

Amendment requires additional disclosures for financial assets and liabilities which are offset and for financial instruments subject to master netting arrangements.

The effective date of the amendment is for years beginning on or after 01 January 2013.

The Group expects to adopt the amendment for the first time in the 2014 Consolidated Annual Financial Statements.

It is unlikely that the amendment will have a material impact on the Company's Consolidated Annual Financial Statements.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

Clarification of certain aspects concerning the requirements for offsetting financial assets and financial liabilities.

The effective date of the amendment is for years beginning on or after 01 January 2014.

The Group expects to adopt the amendment for the first time in the 2015 Consolidated Annual Financial Statements.

It is unlikely that the amendment will have a material impact on the Company's Consolidated Annual Financial Statements.

Notes to the Consolidated Annual Financial Statements

3. New Standards and interpretations (continued)

IFRS 1 – Annual Improvements for 2009 – 2011 cycle

The amendment allows an entity to be a first time adopter of IFRS more than once, if its previous Financial Statements did not contain an explicit unreserved statement of compliance with IFRS. In addition, borrowing costs capitalised in accordance with previous GAAP before the date of transition to IFRS may be applied unadjusted at the transition date.

The effective date of the amendment is for years beginning on or after 01 January 2013.

The Group expects to adopt the amendment for the first time in the 2014 Consolidated Annual Financial Statements.

It is unlikely that the amendment will have a material impact on the Company's Consolidated Annual Financial Statements.

IAS 1 – Annual Improvements for 2009 – 2011 cycle

Clarification is provided on the requirements for comparative information. Specifically, if a retrospective restatement is made, a retrospective change in accounting policy or a reclassification, the statement of financial position at the beginning of the previous period is only required if the impact on the beginning of the previous period is material. Related notes are not required, other than disclosure of specified information.

The effective date of the amendment is for years beginning on or after 01 January 2013.

The Group expects to adopt the amendment for the first time in the 2014 Consolidated Annual Financial Statements.

It is unlikely that the amendment will have a material impact on the Company's Consolidated Annual Financial Statements.

IAS 16 – Annual Improvements for 2009 – 2011 cycle

Spare parts, stand by equipment and servicing equipment should only be classified as property, plant and equipment if they meet the definition.

The effective date of the amendment is for years beginning on or after 01 January 2013.

The Group expects to adopt the amendment for the first time in the 2014 Consolidated Annual Financial Statements.

It is unlikely that the amendment will have a material impact on the Company's Consolidated Annual Financial Statements.

IAS 32 – Annual Improvements for 2009 – 2011 cycle

Tax effects of distributions made to holders of equity instruments. Income tax relating to distributions made to holders of equity instruments and tax effects of transaction costs of equity transactions must be accounted for in accordance with IAS 12 Income Taxes.

Figures in Rand thousand

3. New Standards and interpretations (continued)

The effective date of the amendment is for years beginning on or after 01 January 2013.

The Group expects to adopt the amendment for the first time in the 2014 Consolidated Annual Financial Statements.

It is unlikely that the amendment will have a material impact on the Company's Consolidated Annual Financial Statements.

IAS 34 – Annual Improvements for 2009 – 2011 cycle

Clarification on reporting of segment assets and segment liabilities in interim financial reports. Such reporting is only required when it is regularly reported to the chief operating decision maker, and when there has been a material change from the previous Annual Financial Statements.

The effective date of the amendment is for years beginning on or after 01 January 2013.

The Group expects to adopt the amendment for the first time in the 2014 Consolidated Annual Financial Statements.

It is unlikely that the amendment will have a material impact on the Company's Consolidated Annual Financial Statements.

4. Heritage assets

Other information

In terms of the ICASA license agreement, the South African Post Office (SOC) Limited is required to own a museum which contains assets of a historical nature, including stamps, paintings, artifacts and machinery.

The assets are not currently recognised in the accounting records. Management is in the process of cataloging the assets, whereafter they will be adequately valued and recognised.

5. Investment property

Group	2013			2012		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Investment property	25 620	(4 459)	21 161	23 759	(3 380)	20 379

Company	2013			2012		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Investment property	25 620	(4 459)	21 161	23 759	(3 380)	20 379

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

5. Investment property (continued)

Reconciliation of investment property - Group - 2013

	Opening balance	Additions	Transfers	Depreciation	Closing balance
Investment property	20 379	352	976	(546)	21 161

Reconciliation of investment property - Group - 2012

	Opening balance	Additions	Transfers	Depreciation	Closing balance
Investment property	18 596	3	2 296	(516)	20 379

Reconciliation of investment property - Company - 2013

	Opening balance	Additions	Transfers	Depreciation	Closing balance
Investment property	20 379	352	976	(546)	21 161

Reconciliation of investment property - Company - 2012

	Opening balance	Additions	Transfers	Depreciation	Closing balance
Investment property	18 596	3	2 296	(516)	20 379

Investment properties and significant components thereof are stated at the cost less accumulated depreciation and impairment thereof.

The register containing the information required by the Companies Act is available for inspection at the registered office of the Company.

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

6. Property, plant and equipment

Group	2013			2012		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Data processing equipment	431 856	(324 267)	107 589	374 567	(273 726)	100 841
Freehold land and buildings	1 010 496	(201 379)	809 117	991 693	(171 564)	820 129
Furniture and fixtures	67 180	(39 415)	27 765	66 648	(36 049)	30 599
Leasehold improvements	346 953	(275 778)	71 175	331 773	(249 706)	82 067
Motor vehicles	51 342	(28 722)	22 620	33 194	(27 027)	6 167
Plant and machinery	431 969	(316 620)	115 349	466 974	(322 328)	144 646
Total property, plant and equipment	**2 339 796**	**(1 186 181)**	**1 153 615**	**2 264 849**	**(1 080 400)**	**1 184 449**

Company	2013			2012		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Data processing equipment	410 351	(307 819)	102 532	354 662	(258 427)	96 235
Freehold land and buildings	1 000 081	(199 310)	800 771	981 278	(169 698)	811 580
Furniture and fixtures	63 667	(36 080)	27 587	63 102	(32 752)	30 350
Leasehold improvements	346 175	(275 146)	71 029	330 995	(249 191)	81 804
Motor vehicles	20 704	(2 689)	18 015	2 146	(1 749)	397
Plant and machinery	400 522	(288 708)	111 814	435 527	(296 950)	138 577
Total property, plant and equipment	**2 241 500**	**(1 109 752)**	**1 131 748**	**2 167 710**	**(1 008 767)**	**1 158 943**

Reconciliation of property, plant and equipment - Group - 2013

	Opening balance	Additions	Disposals	Transfers	Depreciation	Closing balance
Data processing equipment	100 841	53 864	(694)	-	(46 422)	107 589
Freehold land and buildings	820 129	20 272	(19)	(1 067)	(30 198)	809 117
Furniture and fixtures	30 599	1 628	(93)	(274)	(4 095)	27 765
Leasehold improvements	82 067	13 153	(226)	302	(24 121)	71 175
Motor vehicles	6 167	18 585	(35)	-	(2 097)	22 620
Plant and machinery	144 646	3 341	(4 812)	42	(27 868)	115 349
Total property, plant and equipment	**1 184 449**	**110 843**	**(5 879)**	**(997)**	**(134 801)**	**1 153 615**

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2012

	Opening balance	Additions	Disposals	Transfers	Depreciation	Closing balance
Data processing equipment	125 006	24 740	(386)	(841)	(47 678)	100 841
Freehold land and buildings	829 545	22 870	(9)	(2 181)	(30 096)	820 129
Furniture and fixtures	33 403	2 999	(299)	(822)	(4 682)	30 599
Leasehold improvements	101 191	18 378	(194)	2 066	(39 374)	82 067
Motor vehicles	9 051	13	(194)	(202)	(2 501)	6 167
Plant and machinery	161 218	17 610	(1 858)	(213)	(32 111)	144 646
Total property, plant and equipment	**1 259 414**	**86 610**	**(2 940)**	**(2 193)**	**(156 442)**	**1 184 449**

Reconciliation of property, plant and equipment - Company - 2013

	Opening balance	Additions	Disposals	Transfers	Depreciation	Closing balance
Data processing equipment	96 235	51 777	(658)	-	(44 822)	102 532
Freehold land and buildings	811 580	20 273	(19)	(1 046)	(30 017)	800 771
Furniture and fixtures	30 350	1 629	(91)	(274)	(4 027)	27 587
Leasehold improvements	81 804	13 153	(226)	302	(24 004)	71 029
Motor vehicles	397	18 584	-	-	(966)	18 015
Plant and machinery	138 577	3 341	(3 519)	42	(26 627)	111 814
Total property, plant and equipment	**1 158 943**	**108 757**	**(4 513)**	**(976)**	**(130 463)**	**1 131 748**

Reconciliation of property, plant and equipment - Company - 2012

	Opening balance	Additions	Disposals	Transfers	Depreciation	Closing balance
Data processing equipment	118 275	24 549	(347)	(508)	(45 734)	96 235
Freehold land and buildings	820 792	22 870	(9)	(2 181)	(29 892)	811 580
Furniture and fixtures	33 071	2 999	(298)	(822)	(4 600)	30 350
Leasehold improvements	101 191	18 027	(194)	2 066	(39 286)	81 804
Motor vehicles	682	13	(8)	-	(290)	397
Plant and machinery	152 987	17 579	(1 728)	(213)	(30 048)	138 577
Total property, plant and equipment	**1 226 998**	**86 037**	**(2 584)**	**(1 658)**	**(149 850)**	**1 158 943**

Pledged as security

No property, plant and equipment has been pledged as a security for liabilities.

Borrowing costs capitalised

In the current year the Group did not incur any borrowing cost which were required to be capitalised against assets.

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

6. Property, plant and equipment (continued)

Assets subject to finance lease (net carrying amount)

Leasehold improvements	71 175	82 067	71 029	81 804

Valuations

The valuation was performed using the municipal valuation values. Mail centres and hubs have been valued at depreciated replacement costs and all other fixed property are reflected at municipal values. According to the South African Post Office policy, the valuations are done at three-year intervals. The last valuation was performed in 2010.

Freehold land and buildings	819 937	819 937	819 937	819 937

Other information

There were no impairments made on property, plant and equipment during the year.

The register containing the information required by the Companies Act is available for inspection at the registered office of the Company.

Assets under construction

Assets under construction are currently capitalised into the various categories of property, plant and equipment and are not classified as a separate category. Management is in the process of identifying these assets and seperately disclosing them as a seperate category in the note. Management expects these assets have a cost of approximately R 63 million.

Property, plant and equipment obtained by means of Government grant

The following assets that are financed through project specific funding are recorded in the asset register and included therein at R1 in accordance with the accounting policy for Government grants. If these had been recorded at cost and depreciated over their useful lives, their book value would be as follows:

Group and Company reconciliation 2013	**Cost**	**Accumulated depreciation**	**Carrying value**
Data processing equipment	391 846	(379 688)	12 158
Freehold land and buildings	89 883	(15 368)	74 515
Furniture and fittings	596	(596)	-
Leasehold improvements	295 771	(281 915)	13 856
Motor vehicles	490	(490)	-
Plant and machinery	104 076	(44 182)	59 894
Total property, plant and equipment by means of Government grant	**882 662**	**(722 239)**	**160 423**

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

6. Property, plant and equipment (continued)

Group and Company reconciliation 2012	**Cost**	**Accumulated depreciation**	**Carrying value**
Data processing equipment	396 677	(341 836)	54 841
Freehold land and buildings	87 483	(12 144)	75 339
Furniture and Fittings	596	(596)	-
Leasehold improvements	286 514	(270 611)	15 903
Motor Vehicles	490	(490)	-
Plant and Machinery	103 679	(33 766)	69 913
Total property, plant and equipment by means of Government grant	**875 439**	**(659 443)**	**215 996**

7. Intangible assets

Group	2013			2012		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	356 908	(271 304)	85 604	312 121	(247 682)	64 439

Company	2013			2012		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	353 407	(268 964)	84 443	307 371	(244 642)	62 729

Reconciliation of intangible assets - Group - 2013

	Opening balance	Additions	Amortisation	Closing balance
Computer software	64 439	47 628	(26 463)	85 604

Reconciliation of intangible assets - Group - 2012

	Opening balance	Additions	Disposals	Transfers	Amortisation	Closing balance
Computer software	82 917	19 282	(315)	(307)	(37 138)	64 439

Reconciliation of intangible assets - Company - 2013

	Opening balance	Additions	Amortisation	Closing balance
Computer software	62 729	47 627	(25 913)	84 443

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

7. Intangible assets (continued)

Reconciliation of intangible assets - Company - 2012

	Opening balance	Additions	Disposals	Transfers	Amortisation	Closing Balance
Computer software	81 060	19 228	(316)	(640)	(36 603)	62 729

Other information

Included in intangible assets is computer software that is not considered integral to computer equipment.

There were no impairments made on intangible assets during the year.

Intangible assets obtained by means of Government grant

Intangible assets that are financed through project specific funding are recorded in the asset register and included therein at R1 in accordance with the accounting policy for Government grants. If these assets had been recorded at cost and depreciated over their expected useful lives, their carrying value would be as follows:

Group and Company reconciliation 2013	**Cost**	**Accumulated depreciation**	**Carrying value**
Computer software	256 397	(236 747)	19 650

Group and Company reconciliation 2012	**Cost**	**Accumulated depreciation**	**Carrying value**
Computer software	256 397	(228 182)	28 215

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

8. Investments in subsidiaries

Name of Company	**Held**	**% holding 2013**	**% holding 2012**	**Cost amount 2013**	**Cost amount 2012**
Centriq Insurance Innovation (Pty) Ltd	Directly	100.00 %	100.00 %	20 050	20 050
Sapos Properties (Bloemfontein) (Pty) Ltd	Directly	100.00 %	100.00 %	750	750
Sapos Properties (Cape Town) (Pty) Ltd	Directly	100.00 %	100.00 %	4 085	4 085
Sapos Properties (East Rand) (Pty) Ltd	Directly	100.00 %	100.00 %	11 195	11 195
Sapos Properties (Port Elizabeth) (Pty) Ltd	Directly	100.00 %	100.00 %	1 670	1 670
Sapos Properties (Rossburgh) (Pty) Ltd	Directly	100.00 %	100.00 %	3 800	3 800
The Courier and Freight Group (Pty) Ltd	Directly	100.00 %	100.00 %	1 053	1 053
The Document Exchange (Pty) Ltd	Directly	100.00 %	100.00 %	-	-
CFG Zimbabwe (Pty) Ltd	Indirectly	100.00 %	100.00 %	-	-
The Courier and Freight Botswana (Pty) Ltd	Indirectly	100.00 %	100.00 %	-	-
The Courier and Freight Namibia (Pty) Ltd	Indirectly	100.00 %	100.00 %	-	-
The Courier and Freight Swaziland (Pty) Ltd	Indirectly	100.00 %	100.00 %	-	-
Total cost of investment in subsidiaries				42 603	42 603
Impairment of investment in subsidiaries				(4 964)	(4 858)
Total investment in subsidiaries net of impairment				37 639	37 745

The investments in subsidiary companies listed above are unlisted.

The carrying amounts of subsidiaries are shown net of impairment losses of R4.964 million (2012: R 4.858 million).

Refer to note 52 for deregistered companies.

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

9. Loans and long term receivables to group companies

Loans

Pensecure (Pty) Ltd This loan is interest free and has no fixed terms of repayment. This loan has been subordinated in favour of creditors. The full amount has been impaired.	-	-	-	1 356
Sapos Properties (Bloemfontein) (Pty) Ltd This loan is interest free and has no fixed terms of repayment. This loan has been subordinated in favour of creditors. The full amount has been impaired.	-	-	351	259
Sapos Properties (Cape Town)(Pty) Ltd This loan is interest free and has no fixed terms of repayment. This loan has been subordinated in favour of creditors. The full amount has been impaired.	-	-	1 238	1 138
Sapos Properties (East Rand) (Pty) Ltd This loan is interest free and has no fixed terms of repayment. Due to the fact that this Company is making profits, this loan is not impaired.	-	-	2 905	2 851
Sapos Properties (Port Elizabeth) (Pty) Ltd This loan is interest free and has no fixed terms of repayment. This loan has been subordinated in favourof creditors. The full amount has been impaired.	-	-	1 152	1 112
Sapos Properties (Rossburgh) (Pty) Ltd This loan is interest free and has no fixed terms of repayment. This loan has been subordinated in favourof creditors. The full amount has been impaired.	-	-	3 066	2 732
The Courier and Freight Group (Pty) Ltd This loan is interest free and has no fixed terms of repayment. This loan has been subordinated in favour of creditors. The full amount has been impaired.	-	-	219 322	219 322
The Courier and Freight Group (Pty) Ltd This loan has no fixed terms of repayment and accrues interest at 8.5%. This loan has been subordinated in favour of creditors. This loan is not impaired.	-	-	38 921	-
The Courier and Freight Group (Pty) Ltd This loan is interest free and has no fixed terms of repayment. This loan has been subordinated in favour of creditors. The full amount has been impaired.	-	-	40 918	40 918
Total loans	-	-	307 873	269 688
Impairment of loans	-	-	(266 047)	(266 837)
Total loans net of impairment	**-**	**-**	**41 826**	**2 851**

The above loans have been subordinated in favour of other creditors, and thus South African Post Office (SOC) Limited does not anticipate the recovery thereof within the next 12 months.

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

9. Loans and long term receivables to group companies (continued)

Long term receivables

The Courier and Freight Group (Pty) Ltd This receivable accrues interest at 8.5% and has no fixed terms of repayment. The receivable has been subordinated in favour of creditors. The full amount has been impaired.	-	-	113 809	71 512
Total long term receivables	-	-	113 809	71 512
Impairment of long term receivables	-	-	(113 809)	(71 512)
Total long term receivables net of impairment	**-**	**-**	**-**	**-**

Credit quality of loans and long term receivables to group companies

The credit quality of loans and long term receivables to group companies that are neither past due nor impaired can be assessed by reference to the subsidiary companies' ability to generate profits.

Loans and long term receivables to subsidiaries amounting to R 421.682 million (2012: R341.200 million) are subordinated in favour of creditors.

Loans and long term receivables to group companies impaired

As of 31 March 2013, loans and long term receivables to group companies of R 379.856 million (2012: R 338.349 million) were impaired and provided for.

The ageing of these loans and long term receivables are as follows:

1 to 3 months	-	-	49 561	8 624
3 to 6 months	-	-	10 777	8 743
Over 6 months	-	-	361 344	323 833

The maximum exposure to credit risk at the reporting date is the fair value of each class of the loan and long term receivables mentioned above. The group does not hold any collateral as security.

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

10. Amount owing to Shareholder

Department of Communications	270 674	248 327	270 674	248 327

The amount owing to the Shareholder is the liability that arose as a result of the incorporation of the former TBVC states i.e. Transkei, Bophuthatswana, Venda and Ciskei post offices. The incorporation was done in accordance with the Post and Telecommunications Reorganisation Act which provided for the integration of the departments of Post and Telecommunications of the TBVC states with Telkom and the South African Post Office (SOC) Limited. The liability is classified as a financial liability at cost and bears interest at a rate of 8.5% per annum (2012: 9%) in terms of section 80 of the Public Finance Management Act. There are no fixed repayment terms on this liability.

The Company has applied to the Shareholder for permission to convert this loan to share capital.

Fair value of amount owing to Shareholder

Department of Communications	270 674	248 327	270 674	248 327

11. Investments and other financial assets

At fair value through profit or loss				
Post Retirement Medical Aid Asset	768 085	669 230	768 085	669 230
Provident Fund Asset	16 046	48 154	16 046	48 154
Total at fair value through profit or loss	**784 131**	**717 384**	**784 131**	**717 384**
Available-for-sale				
Cell Captive Money Market Instruments	98 711	89 683	-	-
Promissory Notes	575 876	928 737	575 876	928 737
Negotiable Certificate of Deposits	1 004 904	444 912	1 004 904	444 912
Gidani investment	-	-	-	-
Total available-for-sale	**1 679 491**	**1 463 332**	**1 580 780**	**1 373 649**
Held-to-maturity				
Jibar Linked Notes	1 052 000	250 000	1 052 000	250 000
Fixed Deposits	1 225 000	2 492 005	1 210 000	2 477 005
Total held to maturity	**2 277 000**	**2 742 005**	**2 262 000**	**2 727 005**
Total investments and other financial assets	**4 740 622**	**4 922 721**	**4 626 911**	**4 818 038**
Non-current assets				
At fair value through profit or loss	567 945	531 296	567 945	531 296
Current assets				
At fair value through profit or loss	216 186	186 088	216 186	186 088
Available-for-sale	1 679 491	1 463 332	1 580 780	1 373 649
Held-to-maturity	2 277 000	2 742 005	2 262 000	2 727 005
Total current assets	**4 172 677**	**4 391 425**	**4 058 966**	**4 286 742**
Total investments and other financial assets	**4 740 622**	**4 922 721**	**4 626 911**	**4 818 038**

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

11. Investments and other financial assets (continued)

The Negotiable Certificates of Deposit ('NCD's'), Cell Captive Money Market Assets and Promissory Notes are classified as available for sale financial assets, which are measured at fair value, with fair value gains and losses recognised directly in other comprehensive income.

The Fixed Deposits and Jibar Linked Notes are classified as held to maturity instruments, which are measured at amortised cost, using the effective interest method, less any impairment, with revenue recognised on an effective yield basis. The Fixed Deposits and Jibar Linked Notes shown above are greater than 90 days and less than 12 months in time to maturity. The Fixed Deposits and Jibar Linked Notes that are less than 90 days in maturity are classified as cash and cash equivalents and are included under short-term deposits in note 18.

The Group owns an equity stake of 100 ordinary shares in Gidani Management (Pty) Ltd, which represents 10.00% of Gidani shares. The fair value of the shares was determined by South African Post Office (SOC) Limited management to be zero at year end (2012: R 0). The shares were allocated to the South African Post Office (SOC) Limited by the Department of Trade and Industry.

The Post Retirement Medical Aid Assets of R 768.085 million (2012: R 669.230) have been ear-marked to partially fund the Post Retirement Medical Aid Liability of R 1.212 billion (2012: R 1.230 billion) of the South African Post Office (SOC) Limited (refer to note 15). The remaining liability is adequately offset by the other assets of some R 705.985 million (2012: R 666.005 million) emanating from a contribution holiday in 2005 when the Defined Benefit Pension Scheme was converted to a Defined Contribution Scheme.

The breakdown of the Post Retirement Medical Aid Assets follows:

Post Retirement Medical Aid Assets:				
Local cash	119 803	119 613	119 803	119 613
Local bonds	265 545	221 396	265 545	221 396
Local equity	321 009	294 191	321 009	294 191
Foreign cash	3 232	1 752	3 232	1 752
Foreign bonds	58 496	32 278	58 496	32 278
Total Post Retirement Medical Aid Assets	**768 085**	**669 230**	**768 085**	**669 230**

Fair value hierarchy of financial assets

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

Level 1 represents those assets which are measured using unadjusted quoted prices for identical assets in active markets.

Level 2 applies inputs other than quoted prices included in level 1, that are observable for the assets either directly (as prices) or indirectly (derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market dates (unobservable inputs).

Level 1				
Equities and bonds	605 719	523 554	605 719	523 554

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

11. Investments and other financial assets (continued)

Level 2				
Equities and bonds	162 366	145 676	162 366	145 676
Customer Foreign Currency (CFC)	29 175	10 423	29 175	10 423
Negotiable Certificates of Deposits	1 004 904	444 912	1 004 904	444 912
Promissory Notes	575 876	928 737	575 876	928 737
Cell Captive Assets	98 711	89 683	-	-
Total level 2	**1 871 032**	**1 619 431**	**1 772 321**	**1 529 748**
Total level 1 and 2	**2 476 751**	**2 142 985**	**2 378 040**	**2 053 302**

For the year ended 2013, there were no transfers between level 1 and 2.

Fair value information

Available-for-sale financial assets are recognised at fair value. Discounted cashflow model is used in the determination of the fair value of unlisted shares for which no reference can be made to quote market prices.

The Group has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

There were no gains or losses realised on the disposal of held-to-maturity financial assets in 2013 and (2012: R0), as all the financial assets were disposed of at their redemption date.

12. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

Group - 2013

	Loans and receivables	Fair value through profit or loss - held for trading	Held-to-maturity investments	Available-for-sale	Total
Cash and cash equivalents	-	29 175	3 247 581	-	3 276 756
Current investments	-	-	2 277 000	1 580 780	3 857 780
Other financial assets	-	768 085	-	98 711	866 796
Trade and other receivables	562 173	-	-	-	562 173
Total financial assets	**562 173**	**797 260**	**5 524 581**	**1 679 491**	**8 563 505**

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

12. Financial assets by category (continued)

Group - 2012

	Loans and receivables	Fair value through profit or loss - held for trading	Held-to-maturity investments	Available-for-sale	Total
Cash and cash equivalents	-	10 423	3 266 734	-	3 277 157
Current investments	-	-	2 742 005	1 373 649	4 115 654
Other financial assets	-	669 230	-	89 683	758 913
Trade and other receivables	515 978	-	-	-	515 978
Total financial assets	**515 978**	**679 653**	**6 008 739**	**1 463 332**	**8 667 702**

Company - 2013

	Loans and receivables	Fair value through profit or loss - held for trading	Held-to-maturity investments	Available-for-sale	Total
Cash and cash equivalents	-	29 174	3 208 220	-	3 237 394
Current Investments	-	-	2 262 000	1 580 780	3 842 780
Loans and long term receivables to group companies	41 937	-	-	-	41 937
Other financial assets	-	768 085	-	-	768 085
Trade and other receivables	515 215	-	-	-	515 215
Total financial assets	**557 152**	**797 259**	**5 470 220**	**1 580 780**	**8 405 411**

Company - 2012

	Loans and receivables	Fair value through profit or loss - held for trading	Held-to-maturity investments	Available-for-sale	Total
Cash and cash equivalents	-	10 423	3 226 679	-	3 237 102
Current Investments	-	-	2 727 005	1 373 649	4 100 654
Loans and long term receivables to group companies	4 930	-	-	-	4 930
Other financial assets	-	669 230	-	-	669 230
Trade and other receivables	468 851	-	-	-	468 851
Total financial assets	**473 781**	**679 653**	**5 953 684**	**1 373 649**	**8 480 767**

Trade and other receivables numbers in the above tables exclude prepayments and VAT, which do not represent financial instruments.

Other financial assets numbers in the above tables exclude the Provident Fund Asset, which does not represent financial instruments.

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

13. Deferred tax

Deferred tax asset

Accelerated capital allowances for tax purposes	(107 525)	(116 452)	(106 704)	(115 909)
Employee related	421 211	373 745	420 878	373 353
Financial instruments	(69 591)	(8 690)	(69 591)	(8 690)
Income received in advance	33 964	25 877	32 254	24 846
Provisions	71 740	46 031	69 739	44 242
Recognised in other comprehensive income	26	-	26	-
Tax losses available for set off against future taxable income	332	259	-	-
Trade and other payables	(1 809)	(2 352)	(1 689)	(2 275)
Trade and other receivables	(2 827)	(1 993)	(2 841)	(2 007)
Total deferred tax asset	**345 521**	**316 425**	**342 072**	**313 560**

Reconciliation of deferred tax asset (liability)

At beginning of the year	316 425	285 110	313 560	282 280
Reversing temporary difference on fixed assets	9 117	10 063	9 205	10 072
Reversing temporary difference on employee benefits	6 302	8 809	6 361	8 622
Reversing temporary differences on defined benefit plan	11 873	28 160	11 873	28 160
Financial Instruments	(31 610)	(7 691)	(31 610)	(7 691)
Reversing (originating) temporary difference on income received in advance	8 088	(11 511)	7 408	(11 309)
Reversing temporary difference on provisions	22 257	2 780	22 235	2 878
Originating temporary on available for sale financial instruments (OCI)	26	-	26	-
Increase in tax losses available for set off against future taxable income	72	77	-	-
Reversing (originating) temporary difference on trade and other payables	543	(1 011)	586	(1 086)
(Originating) reversing temporary difference on trade receivables	(834)	1 639	(834)	1 634
Deferred tax under provision prior years	3 262	-	3 262	-
Total deferred tax asset	**345 521**	**316 425**	**342 072**	**313 560**

Recognition of deferred tax asset

An entity shall disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition, when:

- the utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences; and
- the entity has suffered a loss in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

13. Deferred tax (continued)

Unrecognised deferred tax asset

Accelerated wear and tear on fixed assets	-	254	-	-
Defined benefit plan	179	178	-	-
Employee benefits	2 855	2 808	-	-
Income received in advance	-	599	-	-
Provisions	2 138	3 206	-	-
Unutilised tax losses	81 555	63 969	-	-
Total unrecognised deffered tax asset	**86 727**	**71 014**	**-**	**-**

Tax losses expire within 12 months of the respective Company for not trading. The deductible temporary difference do not expire under current legislation.The corporate tax rate is 28.00% (2012: 28.00%).

Use and sales rate

The deferred tax rate applied to the fair value adjustments of financial assets is determined by the expected manner of recovery. Where the expected recovery of the financial assets is through sale the capital gains tax rate of 18.67% (2012: 18.67%) is used. If the expected manner of recovery is through indefinite use the normal tax rate of 28.00% (2012: 28.00%) is applied.

If the manner of recovery is partly through use and partly through sale, a combination of capital gains rate and normal tax rate is used.

14. Operating lease asset (accrual)

Current assets	6	-	-	-
Non-current liabilities	(48 720)	(44 047)	(48 498)	(43 507)
Current liabilities	(20 421)	(16 255)	(19 044)	(15 159)
Net operating lease accrual	**(69 135)**	**(60 302)**	**(67 542)**	**(58 666)**

The Group has entered into operating leases for buildings. The operating leases (as the lessee) are straight-lined over the period of the lease contract. Refer to note 41 for the future minimum payments under non-cancelable operating leases.

15. Retirement benefits

Post retirement medical aid contribution

During the 2008/2009 financial period, R 456.800 million's worth of assets were transferred to the South African Post Office (SOC) Limited as a result of Registrar for Medical Scheme's decision on 12 November 2008. The relevant assets are specifically and exclusively utilised for the future funding of the South African Post Office (SOC) Limited's Post Retirement Medical Aid (PRMA) liability and have consequently been ear-marked and invested according to a specific unique investment mandate. The current value of the PRMA asset is R 768.085 million, (2012: R669.230 million).

The Company has negotiated with bargaining unit employees that no employees retiring after 30 June 2005 will receive (PRMA) benefits. This curtailment of benefits was accounted for during the 2005 period. In addition, spouses and dependants of employees who pass away whilst in the service of the South African Post Office (SOC) Limited after 2005 will also receive medical aid benefits as part of the Defined Benefit Plan.

Notes to the Consolidated Annual Financial Statements

Figures in Rand thousand	Group 2013	Group 2012	Company 2013	Company 2012

15. Retirement benefits (continued)

Carrying value

Present value of the PRMA Contribution	(1 212 063)	(1 229 994)	(1 211 422)	(1 229 359)
Present value of the post retirement telephone obligation	(5 348)	(6 045)	(5 348)	(6 045)
Total post retirememnt liabilities	**(1 217 411)**	**(1 236 039)**	**(1 216 770)**	**(1 235 404)**

Non-current liabilities	(1 090 745)	(1 114 131)	(1 090 145)	(1 113 537)
Current liabilities	(126 666)	(121 908)	(126 625)	(121 867)
Total post retirememnt liabilities	**(1 217 411)**	**(1 236 039)**	**(1 216 770)**	**(1 235 404)**

Movements for the year

Opening balance	(1 236 039)	(1 228 811)	(1 235 404)	(1 228 087)
Benefits paid	121 808	129 396	121 767	129 355
Net expense recognised in profit or loss	(103 180)	(136 624)	(103 133)	(136 672)
Total post retirememnt liabilities	**(1 217 411)**	**(1 236 039)**	**(1 216 770)**	**(1 235 404)**

Net expense recognised in profit or loss

Interest cost	(103 797)	(117 554)	(103 750)	(117 505)
Actuarial gains (losses)	617	(19 070)	617	(19 167)
Net post retirement expense	**(103 180)**	**(136 624)**	**(103 133)**	**(136 672)**

Key assumptions used

Assumptions used as last valuation on 31 March 2013.

Discount rates used	7.25 %	8.50 %	7.25 %	8.50 %

In determining the value to be placed on these various post employment benefits, various assumptions in respect of various economic and demographic factors have been made. In order to have consistency between the various benefits, the same assumptions for all benefits, have been applied where relevant.

In assessing the appropriateness of the assumptions used, it is important to consider the assumptions as a whole rather than in isolation. In particular, the relationship between the assumptions for the discount rate and the rate of increase in benefits is important.

IAS 19 (AC 116) Employee Benefits ("IAS19") requires that realistic assumptions be applied in the valuation and that this should be determined with reference to the yields on corporate stock of similar duration to the liabilities. The standard further indicates that if the corporate bond market is not sufficiently deep and liquid reference should be made to the yields on government stock. For the purpose of this valuation account has been taken of the yields on South African government stock as reflected in the yield curve of the Bond Exchange of South Africa. The basic inflation assumption has also been determined by reference to the inflation rate implied in the market by the difference between the yield on nominal and inflation linked government stock. The salary inflation assumption has been set at 0.50% above general inflation. Medical aid contribution inflation has been set at 0.75% above general inflation to reflect the general expectation that medical aid contribution inflation exceeds general inflation.

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

15. Retirement benefits (continued)

In this valuation we have assumed a discount rate of 7.25% p.a. (2012: 8.50% p.a), which is a 14.71% reduction from the prior year valuation interest rate and reflects the general reduction in market interest rate over the year. A general inflation rate of 5.75% p.a. (2012: 6.00%) a salary inflation rate of 6.25% p.a. (2012: 6.25%) and a medical aid contribution inflation of 6.50% p.a. (2012: 7.00%). This choice of assumptions results in a 14.71% p.a reduction in the net discount rate applied for all benefits compared to the prior year which has increased liabilities in all cases.

The demographic assumptions (e.g. mortality, withdrawal rates, etc.) have been based on standard actuarial tables and other assumption rates that are generally used in the market place for the valuation of liabilities of this nature. Allowance has been made for AIDS related deaths in respect of the long service and leave encashment benefits, but not the PRMA benefits, using the Actuarial Society of South Africa AIDS model.

The results of the valuation are highly dependent on the choice of assumptions and the relationship between them. Therefore, in order to assist the user in interpretation of the valuation results we have shown the impact on the liabilities of a number of different assumptions.

Acturarial valuations are performed on an annual basis.

Post retirement telephone obligation

The Group has undertaken to pay the telephone accounts for certain retired employees until either the time of their death, that of their spouse or when they change their address. The Group's net obligation in this regard is the amount of future benefits that the employees have earned in return for their service in the prior periods. Any unrecognised actuarial gains and losses and past service costs are recognised immediately. There are no plan assets for this liability and the employer funds this as the need to be settled arises.

South African Post Office (SOC) Limited retirement fund

In terms of section 10A of the South African Post Office (SOC) Limited Act (Act No 44 of 1958, as amended), the financial obligations of the South African Post Office (SOC) Limited Retirement Fund in respect of its defined benefit members and pensioners are guaranteed by the South African Post Office (SOC) Limited whilst the Government of the Republic of South Africa in turn guarantees the obligations of the South African Post Office (SOC) Limited in this regard.

In terms of a recent actuarial valuation, the fund was fully funded and the actuary concluded that it was in a sound financial condition.

Sensitivity analysis - PRMA

	2013		2012	
Benefit inflation analysis	**Liability**	**Change in liability**	**Liability**	**Change in liability**
+ 1%	1 571 575	9.8%	1 415 101	9.4%
Central	1 430 874	0%	1 292 583	0%
- 1%	1 309 621	-8.5%	1 187 581	-8.2%

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

15. Retirement benefits (continued)

Discount rate analysis	**2013**		**2012**	
	Liability	**Change in liability**	**Liability**	**Change in liability**
+ 1%	1 307 827	-8.6%	1 186 052	-8.2%
Central	1 430 874	0%	1 292 583	0%
- 1%	1 576 277	10.2%	1 417 725	9.7%

Benefit obligation at year-end	**2009**	**2010**	**2011**	**2012**	**2013**
Projected benefit obligation	1 159 478	1 365 294	1 379 641	1 293 162	1 431 487
Unrecognised actuarial gains/(losses)	(218 442)	(332 699)	(157 324)	(63 168)	(219 424)
Total benefit obligation at year-end	**941 036**	**1 032 595**	**1 222 317**	**1 229 994**	**1 212 063**

Sensitivity analysis - Post retirement telephone obligation

Discount rate analysis	**2013**		**2012**	
	Liability	**Change in liability**	**Liability**	**Change in liability**
+ 1%	4 942	-7.6%	5 602	-7.3%
Central	5 348	0%	6 045	0%
- 1%	5 813	8.7%	6 551	8.4%

Benefit obligation at year-end	**2009**	**2010**	**2011**	**2012**	**2013**
Projected benefit obligation	8 352	7 417	6 494	6 045	5 348

16. Inventories

Merchandise	31 638	36 079	31 638	36 079
Consumables	39 610	43 010	39 547	42 819
Total inventories	71 248	79 089	71 185	78 898
Write-downs	(20 394)	(17 796)	(20 373)	(17 796)
Total inventories net of write downs	**50 854**	**61 293**	**50 812**	**61 102**
Provision for obsolete stock (write downs) movement in the Statement of Comprehensive Income	2 598	2 988	2 577	2 988

The figures above are reflected at cost which is determined using the weighted-average method. The cost values have been adjusted for stock provisions.

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

17. Trade and other receivables

Trade receivables	256 824	216 598	213 690	165 620
Employee costs in advance	3 097	4 362	3 081	4 354
Prepayments	46 300	11 721	37 368	11 721
Deposits	807	15 204	-	671
Interest accrued on short-term investments	102 806	99 281	102 785	99 250
International debtors	138 698	123 160	138 698	123 160
Other receivables	59 941	57 373	56 961	68 429
Total trade and other receivables	**608 473**	**527 699**	**552 583**	**473 205**

Trade and other receivables pledged as security

No trade or other receivables were pledged as security during the year.

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterpart default rates.

Fair value of trade and other receivables

Trade and other receivables	256 824	216 598	213 690	165 620

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 31 days past due are not considered to be impaired. At 31 March 2013 Group, R 47.423 million (2012: R 41.210 million) Company R 26.294 million (2012: R 30.176 million) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows: Domestic

31- 90 days	6 202	15 592	4 760	6 044
90- 120 days	41 020	25 356	30 853	23 870

The ageing of amounts past due but not impaired is as follows: International

More than 12 months	202	262	202	262

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

17. Trade and other receivables (continued)

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(54 006)	(37 322)	(38 606)	(19 187)
Net Impairment (raised) released in the net current year	10 140	(16 684)	4 782	(19 419)
Total provision for impairment	**(43 866)**	**(54 006)**	**(33 824)**	**(38 606)**

The Company operates different credit terms. Bulkmail is seven (7) days from date of statement, and the rest of the business operates on thirty (30) days from date of statement. The Group trade receivables domestic is R 260 million (2012: R291 million) of which R20 million (2012: R41 million) is older than 30 days.

At each Statement of Financial Position date, the Group assesses whether there is any objective evidence that trade and other receivables should be impaired. Individual significant financial assets are tested for impairment. Group impairment losses for trade and other receivables amounting to R 44 million (2012: R 54 million) have been raised in the Statement of Comprehensive Income, where there was objective evidence that the Group will not be able to collect all amounts due, in accordance with the original terms agreed upon. The impairment allowances are considered to be adequate for the Group.

Included in the trade debtors are international debtors. Debts in this category are held with individual countries and trade is governed by rules set up by the Universal Postal Union (UPU) currently situated in Switzerland. Services are divided into various product categories and each product has a unique payment term ranging 12 months onwards. The nature of the business allows countries to operate trade debtors and creditors accounts. Average payment terms per country on letters and expedited mail services are about 18 months. International trade receivables is R 123 million (2012: R 127 million) of which R 0.202 million (2012: R 0.262 million) is older than 12 months.

The South African Post Office (SOC) Limited and its subsidiary companies fall outside of the definition of a "Credit Provider" for purposes of registration with the National Credit Regulator. The South African Post Office (SOC) Limited and its subsidiary companies nevertheless have to comply with the National Credit Act where accounts are opened for Juristic persons such as Sole Proprietors and Trusts, where less than 3 trustees are appointed.

Trade receivables comprise a large number of customers, dispersed across different industries and geographical areas. The Group uses an internal / external credit scoring system to assess all potential customers' creditworthiness. Customers are manually credit assessed, using information derived from credit bureaus, financial accounting records, bank records and other sources, after which they are put through an internal grading system. Where appropriate, the necessary credit guarantees or deposits will be required before opening an account. Accounts are opened for clients who are creditworthy and who accept the terms and conditions prescribed by The South African Post Office (SOC) Limited and its subsidiaries. Such accounts are assigned a credit limit. The account number, the terms as well as the credit limit is confirmed in writing to the customer. Assessments of accounts are done on a regular basis as outlined in the group procedure document. The frequency is determined by the nature of each business within the Group.

Security or sureties are requested to support accounts which do not meet up with about 20% of the assessment criteria. Trade and other receivables discounted after impairment is R 4 million (2012: R 4 million). The terms of trade receivables have not been re-negotiated.

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

18. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and actual bank balances and investments in money market instruments.

Cash and cash equivalents consist of:

Bank balances	1 875 770	2 247 157	1 836 409	2 207 102
Short-term deposits	1 400 985	1 030 000	1 400 985	1 030 000
Total cash and cash equivalents	**3 276 755**	**3 277 157**	**3 237 394**	**3 237 102**

The effective interest rate of money market instruments is 5.40% (2012: 5.87%).

Included in the cash and cash equivalents is an amount of R 130.703 million (2012: R 259.093 million) that relates to funds collected on behalf of third parties as per note 27.

19. Non-current assets held for sale

Vehicles were held for sale in the prior financial year. They were auctioned in the current financial year.

The vehicles' carrying value after reclassification is:

Assets and liabilities

Non-current assets held for sale				
Property, plant and equipment	-	201	-	-

20. Share capital

Authorised				
1 000 000 000 ordinary shares of R1	1 000 000	1 000 000	1 000 000	1 000 000
Reconciliation of number of shares issued:				
200 939 821 (2012: 200 939 821) ordinary shares of R1 (2012:R1) each	200 940	200 940	200 940	200 940

799 060 179 unissued ordinary shares are held by the Shareholders of the Department of Communication on behalf of the South African Government. This authority remains in force until the next Annual General Meeting.

Issued				
Ordinary shares of R1 each	200 940	200 940	200 940	200 940

The shares are held by the Department of Communications on behalf of the South African Government.

21. Fair value adjustment on assets-available-for-sale reserve

Revaluation (loss) gain on available-for-sale financial instruments	(113)	10	(113)	10

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

22. Non-distributable reserves

An amount of R750.000 million was received from the National Treasury in March 2005. The amount is interest free with no fixed terms of repayment, in order to recapitalise in the South African Post Office (SOC) Limited. There is no expectation to repay these funds which are viewed as being equity in nature.

Funds received from Shareholder	750 000	750 000	750 000	750 000

23. Subsidy unutilised

At fair value through profit or loss				
Subsidy unutilised	79 580	94 602	79 580	94 602
Current liabilities				
Fair value through profit or loss	79 580	94 602	79 580	94 602

The Government provided the Company with a subsidy to cover a portion of its operating expenditure and to fund specific projects. The balances and transactions are summarised as below:

Subsidies received				
Current period	51 965	180 442	51 965	180 442
Roll over from prior period	94 602	237 458	94 602	237 458
Less: expenditure acknowledged				
Infrastructure	(14 619)	(14 404)	(14 619)	(14 404)
Universal service obligation	(45 583)	(242 567)	(45 583)	(242 567)
System improvements	(404)	(44 167)	(404)	(44 167)
VAT	(6 381)	(22 160)	(6 381)	(22 160)
Total subsidy unutilised	**79 580**	**94 602**	**79 580**	**94 602**

24. Unearned revenue

Unearned revenue consists of the following:				
Bulk mail, parcels and registered letters revenue	19 918	19 918	19 918	19 918
Franking mail revenue	7 414	7 414	7 414	7 414
Box revenue	229 607	229 606	229 607	229 607
Stamp and envelope revenue	7 247	23 917	7 247	23 917
Key deposit fees	52 312	52 312	52 312	52 312
Speed services revenue	66	1 540	66	1 540
International revenue	888	898	888	898
XPS Freight	653	498	-	-
PX Containers	709	1 641	-	-
Subscription fees	12 048	27 331	-	-
Unearned premiums	24 079	7 974	-	-
	354 941	**373 049**	**317 452**	**335 606**

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

24. Unearned revenue (continued)

Current liabilities	354 941	373 049	317 452	335 606

Bulk mail, parcels and registered letters revenue

The deferred revenue calculation is based on the mail delivery performance statistics. Assumptions were used that 25% of all mail posted was delivered within the same region and 75% delivery between regions.

Franking mail revenue

The deferred revenue calculation is based on the assumption that eight (8) working days revenue is unearned. This period is formulated on a combination of the mail delivery standard and the holding time of customers after purchase.

Box revenue

The renewal cycle for the rental of the boxes is a calendar period from 1 January to 31 December, however, the financial period for the South African Post Office (SOC) Limited is 1 April to 31 March. This means that only the revenue for three (3) months of renewal cycle is earned for that financial period and the remaining nine (9) months of the renewal cycle is regarded as deferred revenue.

Stamp and envelope revenue

The deferred revenue is based on the assumption that ten (10) working days revenue is unearned. This period is formulated on a combination of the mail delivery standards and the holding time of customers after purchase.

International revenue

As revenue has to be recognised when services are rendered and in terms of terminal dues, it will be recognised when items are delivered to their destinations. The mail delivery standards are applied for the different categories on a weighted average basis. The last seven days sales were extracted and the mail delivery performance statistics were used to calculate the revenue to be deferred for those days.

Courier (logistical) services:

Domestic items

The assumption is that all items accepted on 31 March will only be delivered the next day and therefore this revenue is deferred.

International Items

The assumption is that 80% of the revenue generated on 31 March is deferred to the new financial period.

Key Deposit Fees

According to the current delivery policy, key deposits are payable in all cases when a client applies for a postbox service. The collected deposit fees for all box keys are not recognised as revenue.

Figures in Rand thousand

24. Unearned revenue (continued)

XPS Freight

A report is extracted from the operational system, UNIVERSE, showing all items billed in the period under review but, not yet delivered. Deferred revenue was calculated based on the stage of completion method, as follows: The amount of days after year end until delivery divided by the total amount of days to complete delivery multiplied by the revenue billed and recognised.

PX Containers

A report is extracted from the operational system, INTAC, showing all containers billed in the period under review but, not yet delivered. Deferred revenue was calculated based on the stage of completion method, as follows: The amount of days after year end until delivery divided by the total amount of days to complete delivery multiplied by the revenue billed and recognised.

Subscription fees

Docex members pay for the subscription fee annually. In cases where the membership overlaps between two financial years, the portion of the amount belonging to the next financial year is the unearned revenue and is deferred to the next financial year.

Unearned premiums

A premium is the amount paid for a contract of insurance. This amount is payable to the South African Post Office (SOC) Limited by the client, to insure that should the client's parcel be damaged or lost while in transit then the client will be compensated. This amount payable is over and above the services rendered by the South African Post Office (SOC) Limited to the client. This can be seen as the amount at which a securities option is bought or sold. The amount is based on 3% of the total value of the item on speed services and 2% of the total value of the item for the South African Post Office (SOC) Limited services.

25. Provisions

Reconciliation of provisions - Group - 2013

	Opening balance	Additions	Utilised during the year	Closing balance
Bonus	61 465	65 515	(61 465)	65 515
General provision	95 190	174 376	(136 623)	132 943
Leave pay	144 335	54 985	(29 643)	169 677
Long service cash awards	10 348	1 497	-	11 845
Long service leave awards	47 442	3 318	(44)	50 716
Onerous contract	7 325	-	-	7 325
Site restoration	8 329	810	-	9 139
Total provisions	**374 434**	**300 501**	**(227 775)**	**447 160**

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

25. Provisions (continued)

Reconciliation of provisions - Group - 2012

	Opening balance	Additions	Utilised during the year	Closing balance
Bonus	59 698	61 465	(59 698)	61 465
General provision	123 811	329 628	(358 249)	95 190
Leave pay	115 179	93 646	(64 490)	144 335
Long service cash awards	9 181	2 388	(1 221)	10 348
Long service leave awards	48 507	9 637	(10 702)	47 442
Onerous contract	7 325	-	-	7 325
Site restoration	8 652	-	(323)	8 329
Total provisions	**372 353**	**496 764**	**(494 683)**	**374 434**

Reconciliation of provisions - Company - 2013

	Opening balance	Additions	Utilised during the year	Closing balance
Bonus	59 702	64 117	(59 702)	64 117
General provision	92 598	170 859	(136 011)	127 446
Leave pay	134 961	46 885	(21 749)	160 097
Long service cash awards	10 348	1 497	-	11 845
Long service leave awards	46 988	3 318	-	50 306
Site restoration	6 312	681	-	6 993
Total provisions	**350 909**	**287 357**	**(217 462)**	**420 804**

Reconciliation of provisions - Company - 2012

	Opening balance	Additions	Utilised during the year	Closing balance
Bonus	56 998	59 702	(56 998)	59 702
General provision	118 861	327 721	(353 984)	92 598
Leave pay	106 931	90 680	(62 650)	134 961
Long service cash awards	9 181	2 388	(1 221)	10 348
Long service leave awards	48 095	9 595	(10 702)	46 988
Site restoration	6 571	-	(259)	6 312
Total provisions	**346 637**	**490 086**	**(485 814)**	**350 909**

Non-current liabilities	132 622	121 405	126 539	108 595
Current liabilities	314 538	253 029	294 265	242 314
Total provisions	**447 160**	**374 434**	**420 804**	**350 909**

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

25. Provisions (continued)

General provision

The provision relates to various items such as the provisions for audit fees, legal fees, travel and car rentals, pension payments, shortages and possible losses under investigation and other similar obligations.

Leave obligation

Employees are entitled to 22 days leave per annum. Provided that a staff member has taken at least 15 days in a period the remaining leave may be carried over into future years. Any leave balance remaining when an employee leaves the service of the South African Post Office (SOC) Limited for whatever reason (e.g. resignation, death, retirement) is encashed at that time.

Sensitivity analysis - Leave obligation

	2013		2012	
Discount rate analysis	**Liability**	**Change in liability**	**Liability**	**Change in liability**
+ 1%	164 324	3.2%	139 210	3.6%
Central	169 677	0%	144 335	0%
- 1%	176 094	-3.8%	148 229	-2.7%

Capped leave

In addition to their "normal" current accrued leave some staff members also have an amount of "capped" leave. During 2001 and 2002 the South African Post Office (SOC) Limited negotiated with staff in different categories that leave accrued up till that date would in future only be encashed at the salary as at that time. This leave can be taken as leave or encashed, but only after all other accrued leave has been taken. Any remaining balance will be paid out as cash when the employee leaves the service of the South African Post Office (SOC) Limited.

Given these rules, the South African Post Office (SOC) Limited recognises that the balances in both the "capped" leave and "normal " accrued leave will not be settled in the 12 months following the date of calculation, and therefore some form of calculation is required. In performing these calculations, we have applied an assumption, that 50% of the balance standing in the "normal" accrued leave will be taken as leave, in the next 12 months. The remainder of the "normal" and the balance in the "capped" leave will be paid out in cash when the employee leaves the service of the South African Post Office (SOC) Limited by death, resignation or retirement. In the case of the "accrued" leave, this will be based on the salary applicable at that date, and in the case of the "capped" leave, based on the current fixed rate.

A restricted number of employees are members of the leave provident fund. This provident fund provides for leave in excess of 60 days at a specific point in time. No additional employees may become members of this fund. Leave in this fund can only be en-cashed when the employee retires or resigns and cannot be utilised as leave. As provident fund assets are sufficient this leave is not accrued by the Company.

Long service cash awards

The Group has a policy of increasing leave days due to employees reaching ten years within the South African Post Office (SOC) Limited's employment. The increase in leave days is from 22 to 24 days in the employee's tenth period only. Any unrecognised actuarial gains or losses and past service costs are recognised immediately.

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

25. Provisions (continued)

Sensitivity analysis - Long service cash awards

Discount rate analysis	2013		2012	
	Liability	Change in liability	Liability	Change in liability
+ 1%	11 271	4.8%	9 841	4.9%
Central	11 845	0%	10 348	0%
- 1%	12 475	-5.3%	10 905	-5.4%

Long service leave awards

The Group has different policies in respect of long service leave awards. The Group has valued this benefit in the current period, and shall be valuing the benefit annually. Any unrecognised actuarial gains or losses and past service costs are recognised immediately.

Sensitivity analysis - Long service leave awards

Discount rate analysis	2013		2012	
	Liability	Change in liability	Liability	Change in liability
+ 1%	49 140	3.1%	45 108	5.1%
Central	50 716	0%	47 422	0%
- 1%	53 417	-5.3%	49 028	-3.4%

Onerous lease

The Courier and Freight Group (Pty) Ltd entered into a property lease agreement for a period of three years commencing on 01 October 2010 and terminating on 30 September 2013.

Site Restoration

The provision relates to the decommissioning costs that are expected to be incurred upon the termination or conclusion of lease agreements. These costs have been capitalised in terms of the relevant lease agreements. It is uncertain whether these leases will be extended or terminated earlier and this creates uncertainties regarding the amount and timing of the cash flows. There are no expected reimbursements for the costs that will be incurred.

The main assumptions used in the calculation of this provision are as follows:

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

25. Provisions (continued)

The Universal Service Obligations (USO) obliges the South African Post Office (SOC) Limited to expand its presence in South Africa (SA), especially in rural SA. This means that the South African Post Office (SOC) Limited would most probably not reduce the number of leasehold premises, but instead expand its presence to more buildings. The type of leasehold premises has been taken into account in arriving at a conclusion regarding possible restoration. A vacant stand with a Mail Collection Point (MCP) would probably not require restoration should they ever wish to relocate. The South African Post Office (SOC) Limited may not wish to relocate from shopping centres and malls. In the event that it does relocate the terms of the lease and the nature of its business are such that restoration of the premises would not be required. The date that South African Post Office (SOC) Limited originally occupied the leasehold premises is also an indication of the chances of ever moving out of the premises, thus negating the liability to restore such leasehold premises. During the 2013 financial period, South African Post Office (SOC) Limited relocated from 16 (2012: 14) leasehold premises of which 6 (2012: 6) of the lessors required restoration, thus further supporting the expectation that relocation and thus restoration would not occur in most instances.

26. Deposits from the public

Transactional and savings accounts	4 319 052	4 072 839	4 319 052	4 072 839
Term Deposits	173 159	185 025	173 159	185 025
Total deposits from the public	**4 492 211**	**4 257 864**	**4 492 211**	**4 257 864**

Deposit products include transactional savings accounts and term deposits. Transactional and savings accounts are all overnight deposits which are all payable on demand. Term deposits vary from one (1) month to five (5) years. All amounts owed to the depositors are classified as financial liabilities at cost. Interest payable on both transactional and deposit accounts are capitalised monthly. All account holders are individuals within the Republic of South Africa.

Interest paid on overnight deposit accounts is fixed and varies from 0% to 4.95% per annum (2012: 0% to 3.50%) depending on the account balance. Term deposits attract interest that varies from 4.80% to 5.30% per annum (2012: 3.92% to 5.70%) and all rates are linked to prime rate.

Deposits from the public are fully covered by cash and cash equivalents as well as investments, and these amounts are included in the total balances reflected in note 11 and 18.

27. Funds collected on behalf of third parties

Agency services and collections	90 317	212 138	90 317	212 138
Money and postal orders	40 386	46 955	40 386	46 955
Total funds collected on behalf of third parties	**130 703**	**259 093**	**130 703**	**259 093**

Funds collected from the customers of the Group third party clients are paid into their bank accounts within 24 hours following the collection at South African Post Office (SOC) Limited outlets. In terms of service level agreements with the clients, no interest will be paid to clients for the 24 hour period before the money collected is paid into the client's respective accounts. Money and postal orders are unclaimed obligations that are payable on demand.

28. Outstanding Insurance claims

Cell captive	700	2 433	-	-

Insurance for the Group's assets is arranged through a cell captive insurance Company with a layer for catastrophic cover above that. Provisions for insurance claims payable from cell captive are calculated at the 75th percentile based on the actuarial valuation of claims trends.

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

29. Trade and other payables

Trade payables	534 353	554 838	493 571	495 386
Deposits received	70 472	68 624	69 232	67 516
Employee Benefit payments	15 958	38 462	13 431	36 995
Government grants	783	-	783	-
Other payables	68 894	57 071	53 607	47 954
VAT	29 586	28 994	32 395	28 500
Total trade and other payables	**720 046**	**747 989**	**663 019**	**676 351**

Trade and other payables are initially measured at fair value, net of transaction cost and are subsequently measured at amortised cost using the effective interest method with interest expense recognised on an effective yield basis. Other trade payables are subsequently designated as fair value through profit and loss (FVTPL) with any resulting gains and losses recognised in the profit and loss.

The average credit period on all purchases is 60 days. The Group has a policy in place with its payables not to pay interest on late payments. All invoices were paid within the 60 days time frame in the financial year 2013. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

Fair value of trade and other payables

Trade payables	534 353	554 838	493 571	495 386

Trade payables are discounted at year end at the prime interest rate of 8.50% (2012: 9.00%) to bring them to their net present value.

30. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

Group - 2013

	Financial liabilities at amortised cost	Fair value through profit or loss - designated	Total
Deposit from the public	4 492 211	-	4 492 211
Funds collected on behalf of third parties	130 703	-	130 703
Loan from Shareholder	270 674	-	270 674
Outstanding insurance claims	700	-	700
Trade and other payables	156 336	534 352	690 688
Total financial liabilities	**5 050 624**	**534 352**	**5 584 976**

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

30. Financial liabilities by category (continued)

Group - 2012

	Financial liabilities at amortised cost	Fair value through profit or loss - designated	Total
Deposit from the public	4 257 864	-	4 257 864
Funds collected on behalf of third parties	259 093	-	259 093
Loan from Shareholder	248 327	-	248 327
Outstanding insurance claims	2 433	-	2 433
Trade and other payables	165 236	554 838	720 074
Total financial liabilities	**4 932 953**	**554 838**	**5 487 791**

Company - 2013

	Financial liabilities at amortised cost	Fair value through profit or loss - designated	Total
Deposit from the public	4 492 211	-	4 492 211
Funds collected on behalf of third parties	130 703	-	130 703
Loan from Shareholder	270 674	-	270 674
Trade and other payables	137 053	493 571	630 624
Total financial liabilities	**5 030 641**	**493 571**	**5 524 212**

Company - 2012

	Financial liabilities at amortised cost	Fair value through profit or loss - designated	Total
Deposit from the public	4 257 864	-	4 257 864
Funds collected on behalf of third parties	259 093	-	259 093
Loan from Shareholder	248 327	-	248 327
Trade and other payables	152 465	495 386	647 851
Total financial liabilities	**4 917 749**	**495 386**	**5 413 135**

At year-end there were no financial liabilities held for trading.

Trade and other payables numbers in the above tables exclude VAT, which do not represent Financial Instruments.

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

31. Revenue

Postbank	314 447	332 052	314 447	332 052
Postbank interest revenue	275 891	267 783	275 891	267 783
Retail products	14 863	19 569	14 863	19 569
Service rendered - Postal	4 012 852	3 975 603	3 968 580	3 924 854
Services rendered - Courier	672 706	670 972	334 981	343 540
Services rendered - Agency and money transfer	405 477	434 818	405 477	434 818
Total revenue	**5 696 236**	**5 700 797**	**5 314 239**	**5 322 616**

Revenue comprise income from services provided and the sale of retail products, excluding VAT, rebates, and discounts. These services include work performed as an agent of certain Government departments, other authorities and businesses.

32. Operating (loss) profit

Operating (loss) for the year is stated after accounting for the following:

Operating lease charges

Premises				
• Contractual amounts	317 500	300 864	300 894	284 835
Motor vehicles				
• Contractual amounts	104 946	98 503	95 711	89 722
Equipment				
• Contractual amounts	17 700	19 147	17 439	18 805
	440 146	**418 514**	**414 044**	**393 362**

Profit on sale of property, plant and equipment	5 388	12	-	12
Transport costs	467 151	436 890	312 573	294 501
Inventory written off	2 598	2 988	2 577	2 988
Trade receivables written off (reversed)	10 140	(16 684)	4 782	(19 419)
Impairment on other financial assets	832	47 117	39 719	41 078
(Loss) profit on exchange differences	(3 873)	4 408	(3 873)	4 407
Amortisation on intangible assets	26 463	37 138	25 913	36 603
Depreciation on property, plant and equipment	134 801	156 422	130 463	149 851
Depreciation on investment property	568	537	546	515
Employee costs	3 600 566	3 372 014	3 458 025	3 244 445
Amount expensed in respect of retirement benefit plans:	523 431	490 143	507 859	475 459
(included in employee costs above):				
Defined contribution funds	265 372	247 821	253 950	237 084
Medical aid contributions	258 059	242 322	253 909	238 375
Research and development	3 334	3 042	3 334	3 031
Business restructuring	5 746	5 341	5 723	4 346
Licenses	20 114	19 781	20 104	19 769
Communication	539	2 355	539	2 355
Service and agency fees	127 286	143 730	127 286	143 730
Technology	1 641	2 251	1 641	2 251
Postbank corporatisation	4 833	14 313	4 833	14 313
Forensic audit	12 025	5 740	12 025	5 740
Revenue protection	(192)	383	(192)	383
Delivery standard measurement	724	1 266	724	1 266
Properties	249	199	249	199

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

32. Operating (loss) profit (continued)

Delivery standard measurement

The universal service aims to ensure that basic postal services and financial transactions which are essential to social and economical inclusion are available to everybody in an appropriate way at an affordable cost. This is intended to ensure that people living in rural areas obtain the advantage of postal and financial services, irrespective of whether the income generated is less than the cost of providing the service.

Licence agreement

In terms of Section 16(3) of the Postal Services Act, 1998 (Act No 124 of 1998) the Minister of Communications granted and issued a licence to the South African Post Office (SOC) Limited with a period of validity of 25 years, effective 1 April 2000.

In terms of the licence conditions the South African Post Office (SOC) Limited must pay the National Reserve Fund (or SA Government) an annual licence fee equal to 0.55% of its annual regulated turnover.

Insurance activities

The Group offers insurance contracts to its customers by providing protection against specified risks associated with the transport of their mail, parcels and freight. These insurance contracts are offered through a cell captive facility maintained with Centriq Insurance Company Limited, a South African registered short-term insurance Company.

The cell captive facility is further used to underwrite the first party risk of the Group to provide cover against a variety of insurable risks including assets own risk, commercial crime, money etc. Inter-Company transactions are eliminated on consolidation of the cell captive.

In terms of the Shareholders' agreement, the Group carries all the risks and rewards related to the business underwritten in the cell captive facility. The risks are closely monitored by the Group through the ongoing review of the performance of the underlying insurance products. Premium rate adjustments are used to mitigate the associated insurance risks. Provided below is a summarised underwriting account giving details of the R 1.839 million (2012: R 10.501 million) underwriting profit included in profit from operations.

Net earned premiums	21 286	39 959	-	-
Gross claims incurred	(17 033)	(24 900)	-	-
Net operating expenses	(2 414)	(4 558)	-	-
Total underwriting profit	**1 839**	**10 501**	**-**	**-**

33. Investment revenue

Dividend revenue				
Other financial assets	1 917	3 333	1 917	3 333
Total dividend revenue	**1 917**	**3 333**	**1 917**	**3 333**
Interest revenue				
Investment and current accounts				
Available for sale	3 854	2 012	3 854	2 012
Held to maturity	136 889	153 853	132 700	146 023
Trade and other payables discounting	897	7 783	742	7 508
Total interest revenue	**141 640**	**163 648**	**137 296**	**155 543**
Total investment revenue	**143 557**	**166 981**	**139 213**	**158 876**

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

34. Fair value adjustments

Other financial assets	98 855	62 436	98 855	62 436

The fair value gains and losses recognised are derived from financial assets subsequently measured at fair value through profit and loss - Post Retirement Medical Aid Asset. See note 15.

35. Interest paid

Finance leases	1 572	-	-	-
Postbank finance cost	44 635	18 609	44 635	18 609
Interest paid other	451	2 647	1 875	815
Former TBVC States loan	22 347	21 352	22 347	21 352
Trade and other receivables discounting	3 048	8 977	3 048	8 799
Total interest paid	**72 053**	**51 585**	**71 905**	**49 575**

36. Taxation

Major components of the tax expense (income)

Current				
Local income tax - current period	1 236	123 281	-	119 147
Local income tax - recognised in current tax for prior periods	(435)	-	(435)	-
Total current income tax expense (income)	**801**	**123 281**	**(435)**	**119 147**
Deferred				
Originating and reversing temporary differences	(23 887)	(30 579)	(25 250)	(31 279)
Arising from previously unrecognised tax loss / tax credit / temporary difference	(34)	(30)	-	-
Benefit of unrecognised tax loss / tax credit / temporary difference used to reduce deferred tax expense	(39)	(48)	-	-
Derecognition of deferred tax asset that is no longer probable to be utilised	(1 874)	(674)	-	-
Arising from prior period adjustments	(3 262)	321	(3 262)	321
Total deffered income tax income	**(29 096)**	**(31 010)**	**(28 512)**	**(30 958)**
Total income tax (income) expense	**(28 295)**	**92 271**	**(28 947)**	**88 189**

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

36. Taxation (continued)

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

Effective Tax Rate	28.00 %	28.00 %	28.00 %	28.00%
Exempt income	43.70%	(1.50)%	51.14%	(0.46)%
Disallowable charges	(54.69)%	16.10 %	(65.78)%	15.95%
Restatement of opening deferred tax balance	0.54%	0.10 %	1.73%	0.16%
Current tax relating to prior year	0.18%	- %	0.23%	0.44%
Subject to tax at reduced rate	3.97%	(2.70)%	4.98%	(2.93)%
Net deferred tax not raised	(5.80)%	(4.00)%	-%	(4.27)%
Increase in tax rate	(3.96)%	-%	(4.96)%	-
Recognised in equity	0.01%	(0.30)%	0.01%	(0.34)%
Applicable tax rate	**11.95%**	**35.70 %**	**15.35%**	**36.55%**

Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset has been recognised.	86 728	71 014	-	-

37. Auditors' remuneration

Fees	13 857	13 229	11 383	11 041

There are no unfulfilled conditions or contingencies.

38. Other comprehensive income

Components of other comprehensive income - Group - 2013

	Gross	Tax	Net
Available-for-sale financial assets adjustments			
Fair value loss on availible for sale financial assets	(149)	26	(123)

Components of other comprehensive income - Group - 2012

	Gross	Tax	Net
Available-for-sale financial assets adjustments			
Fair value loss on availible for sale financial assets	(852)	-	(852)

Components of other comprehensive income - Company - 2013

	Gross	Tax	Net
Available-for-sale financial assets adjustments			
Fair value loss on availible for sale financial assets	(149)	26	(123)

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

38. Other comprehensive income (continued)

Components of other comprehensive income - Company - 2012

	Gross	Tax	Net
Available-for-sale financial assets adjustments			
Fair value loss on availible for sale financial assets	(852)	-	(852)

For gains and losses on financial assets at fair value through profit and loss - see note 34.

For gains and losses on financial liabilities at amortised costs - see note 35.

39. Cash (used in) generated from operations

	Group 2013	Group 2012	Company 2013	Company 2012
(Loss) profit before tax	(206 859)	250 978	(187 712)	237 035
Adjustments for:				
Depreciation and amortisation	161 832	194 097	156 922	186 969
Profit on sale of assets	(5 388)	(12)	-	(12)
Dividends revenue	(1 917)	(3 333)	(1 917)	(3 333)
Interest revenue	(141 640)	(163 648)	(137 296)	(155 543)
Interest paid	72 053	51 585	71 905	49 575
Fair value adjustments	(98 855)	(62 436)	(98 855)	(62 436)
Impairment loss of other financial assets	832	47 117	39 719	41 078
Movements in operating lease assets and accruals	8 833	8 906	8 876	8 200
Movements in retirement benefit assets and liabilities	(18 628)	6 333	(18 634)	7 317
Movements in provisions	72 726	2 081	69 895	4 272
Other	226	(337)	132	1 675
Changes in working capital:				
Inventories	10 439	(13 845)	10 290	(13 838)
Trade and other receivables	(80 774)	97 957	(79 378)	128 590
Trade and other payables	(27 943)	(20 737)	(13 332)	(42 959)
Unearned revenue	(18 108)	12 815	(18 154)	6 426
Funds collected on behalf of third parties	(128 390)	(19 161)	(128 390)	(19 161)
	(401 561)	**388 360**	**(325 929)**	**373 855**

40. Tax paid

	Group 2013	Group 2012	Company 2013	Company 2012
Balance at the beginning of the year	(8 434)	(28 089)	(7 947)	(27 843)
Current tax for the year recognised in profit or loss	(801)	(123 281)	435	(119 147)
Balance at the end of the year	(33 466)	8 434	(34 163)	7 947
Tax paid	**(42 701)**	**(142 936)**	**(41 675)**	**(139 043)**

Balance at the end of the year consists of:

	Group 2013	Group 2012	Company 2013	Company 2012
Current tax payable	(826)	(8 937)	-	(7 947)
Current tax receivable	34 292	503	34 163	-
Balance at the end of the year	**33 466**	**(8 434)**	**34 163**	**(7 947)**

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

41. Commitments

Authorised capital expenditure

Already contracted for but not provided for				
• Property, plant and equipment	287 913	114 301	287 203	114 207
Not yet contracted for and authorised by directors	19 758	299 437	19 458	297 804

This committed expenditure relates to plant and equipment and will be financed by funds generated by own operations and from external sources.

Operating leases – as lessee (expense)

Minimum lease payments due - Buildings				
- not later than one period	187 403	175 411	175 437	165 941
- later than 1 period and not later than 5 years	585 852	468 956	561 457	447 588
- later than five years	138 948	185 382	138 948	185 382
Total minimum lease payments due	**912 203**	**829 749**	**875 842**	**798 911**

None of the lease agreements contain any contingent rent clauses and it is assumed that there are no contingent rent payments. It is also assumed that there are no restrictions that would impose additional debts that are not covered in the minimum contract terms. Rental payments are based on a rate per square meter relating to the prevalent market rate at the inception of the contract. Escalation clauses vary from contract to contract averaging at 8.00% (2012: 8.00%). Contract renewal options are assumed to be exercised by the Company, unless decided otherwise by management.

Minimum lease payments due - Vehicles				
- not later than one period	48 368	65 828	46 311	63 272
- later than 1 period and not later than 5 years	66 313	36 657	65 976	36 223
Total minimum lease payments due	**114 681**	**102 485**	**112 287**	**99 495**

The Group leases vehicles from Avis Fleet Services and Fleet Africa under Full Maintenance Lease (FML) agreements. The lease period ranges from two to five years at an interest rate of Prime less 2.00% to Prime plus 2.25%, (2012: Prime less 2.00% to Prime plus 2.25%). The vehicles are being utilised for the delivery of parcels and mail.

Operating leases – as lessor (income)

Minimum lease payments due - Buildings				
- not later than one period	5 866	12 952	5 866	12 952
- later than 1 period not later than 5 years	17 042	18 580	17 042	18 580
- later than five years	1 382	318	1 382	318
Total minimum lease payments due	**24 290**	**31 850**	**24 290**	**31 850**

Minimum lease payments due - Vehicles				
- not later than one period	-	-	3 144	2 556
- later than 1 period not later than 5 years	-	-	9 431	434
Total minimum lease payments due	**-**	**-**	**12 575**	**2 990**

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

41. Commitments (continued)

Rental income has been based on a rate per square meter relating to the prevalent market rate at the inception of each contract. Escalation clauses vary from contract to contract with an average of 7.00% (2012: 7.00%). Lease agreements are entered into for a minimum of two years to a maximum of three year period. Contract renewal option period is assumed to be exercised by the Company, unless decided otherwise by Management. None of the lease agreements contain any contingent rent clauses.

Vehicles are leased to The Courier and Freight Group (Pty) Ltd (a subsidiary) for a period of 36 months at amounts of R 392 939 per month with an interest cost of prime plus 1.00%.

42. Contingencies

The following contingent liabilities were identified:

Bank Guarantees	6 756	6 537	6 756	6 537
Employees	9 238	4 237	9 238	4 237
Guarantees in respect of employee housing loans	1 504	1 510	1 504	1 510
Summons	346 725	-	346 725	-
Service providers	12 518	39 039	12 518	37 720
Total contingencies	**376 741**	**51 323**	**376 741**	**50 004**

The South African Post Office (SOC) Limited is in receipt of a summons in which the summoner has claimed R296.725 million (2012: R0) in damages arising out of an alleged breach of an agreement, purportedly concluded between the parties during 2004. The South African Post Office (SOC) Limited is defending the damages action.

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

43. Related parties

Relationships	
Ultimate holding Company	South African Government
Subsidiaries	Refer to note 8
Shareholder	The Department of Communications
Post employment benefit plan for employees of entity	Old Mutual Corporate Limited
Members of key management	C Hlekane - Group CEO K Mzozoyana - Group CFO MS Diaz - GE Human Resources JS Kotsi - GE Mail Operations M Lancaster - GE Strategy / Acting CIO MC Sebusi - Acting GE: Business Support M Faasen - Chairperson of Procapex P Ngomane - GM Security and Investigation Services NF Dikgale - Executive Legal Services DD Jacobs - Executive Legal Advisor TE Xiphu - GE Corporate Affairs L Govender - Acting GE Supply Chain NJ Dewar - CFO Postbank KT Rapoo - Acting MD Sapos Properties NA Mnisi - GE Consumer Services BS Bulunga - Group Company Secretary CA Philips - Chief Audit Executive L Lose - GE Corporate Affairs S Adam - Acting MD Postbank

Related party balances

Loan accounts - Owing from (to) related parties				
Pensecure (Pty) Ltd	-	-	-	1 356
Sapos Properties (Bloemfontein) (Pty) Ltd	-	-	351	259
Sapos Properties (Cape Town) (Pty) Ltd	-	-	1 238	1 138
Sapos Properties (East Rand) (Pty) Ltd	-	-	2 905	2 851
Sapos Properties (Port Elizabeth) (Pty) Ltd	-	-	1 152	1 112
Sapos Properties (Rossburgh) (Pty) Ltd	-	-	3 066	2 732
The Courier and Freight Group (Pty) Ltd	-	-	299 161	260 240
Department of Communications	(270 674)	(248 327)	(270 674)	(248 327)
National Treasury	(750 000)	(750 000)	(750 000)	(750 000)
Amounts included in trade payables regarding related parties				
Centriq Insurance Innovation (Pty) Ltd	-	-	3 280	8 343
Department of Communications	-	1	-	-
National Treasury	677	670	678	678
The Independent Communications Authority of South Africa (ICASA)	23	67	23	67

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

43. Related parties (continued)

Subsidy: Public Information Terminals and Citizen Post Office				
South African Government	14 821	14 068	14 821	14 068
Amounts included in trade receivables regarding related parties				
Auditor-General	60	2	1	2
Centriq Insurance Innovation (Pty) Ltd	-	-	3 271	6 185
Department of Communications	45	-	-	-
National Treasury (Department of Finance)	2	14	-	-
The Courier and Freight Group (Pty) Ltd	-	-	1 125	4 069
The Document Exchange (Pty) Ltd	-	-	992	1 048
The Presidency	16	17	-	-
Travel advances to key management personnel				
Travel and subsistence advances	22	117	22	117
Long term receivables - Owing from related parties				
The Courier and Freight Group (Pty) Ltd	-	-	113 809	71 512
Related party transactions				
Interest paid to (received from) to related parties				
Department of Communications	753	751	753	751
Purchases from related parties				
Centriq Insurance Innovation (Pty) Ltd	-	-	18 083	45 831
Independent Communications Authority of South Africa (ICASA)	7 023	18 034	7 023	18 034
The Presidency	131	156	-	-
Sales to related parties				
Auditor-General	77	47	13	47
Centriq Insurance Innovation (Pty) Ltd	-	-	18 263	6 839
Department of Communications	1 655	1 948	18	161
Department of Finance	1 866	403	1 853	386
National Treasury	1 015	543	964	512
The Courier and Freight Group (Pty) Ltd	-	-	88 234	24 106
The Document Exchange (Pty) Ltd	-	-	5 806	5 891
The Presidency	-	-	81	61
Management fees expensed in relation to related parties				
The Courier and Freight Group (Pty) Ltd	-	-	53 853	50 979
Commission and admin fees received in relation to related parties				
Centriq Insurance Innovation (Pty) Ltd	-	-	2 993	3 179

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

43. Related parties (continued)

Shared services recoveries in relation to related parties				
The Courier Freight Group (Pty) Ltd	-	-	35 608	29 897
The Document Exchange (Pty) Ltd	-	-	1 200	1 248
Leases recoveries in relation to related parties				
The Courier and Freight Group (Pty) Ltd	-	-	1 572	-

Emoluments of key management personnel are disclosed in note 44.

44. Directors' and prescribed officers' emoluments

Executive

2013

		Salary	Pension paid or receivable	Expense Allowance	Other benefits	Total
CJ Hlekane - (Group Chief Executive Officer)	1	1 421	134	-	-	1 555
KN Mzozoyana - (Group Chief Financial Officer)	5	517	49	13	-	579
MJ Mathibe - (Acting Group Chief Executive Officer)	3	1 561	150	30	18	1 759
S Adam - (Acting Managing Director : Postbank)		1 569	147	-	9	1 725
NJD Buick	2	498	48	13	107	666
TN Mashanda - (Acting Chief Financial Officer)	4	216	-	-	-	216
Total executive emoluments		**5 782**	**528**	**56**	**134**	**6 500**

1- Appointed 1 October 2012; Also a director of the Courier and Freight Group
2- Resigned 30 June 2012
3- Acting CEO from 1 June 2012 to 30 September 2012
4- Acting CFO from 15 November 2012 to 31 December 2012
5 - Appointed 1 January 2013; Also a director of the Courier and Freight Group
Resigned implies resigned or retired
Other benefits include mainly telephone allowances and various travel related reimbursements

Notes to the Consolidated Annual Financial Statements

44. Directors' and prescribed officers' emoluments (continued)

2012

		Salary	Pension paid or receivable	Expense Allowance	Bonus	Other benefits	Total
MJ Mathibe - (Acting Group Chief Executive Officer)		1 627	125	36	44	23	1 855
S Adam - (Acting Managing Director: Postbank)		1 131	106	-	-	6	1 243
NJD Buick		2 162	202	30	15	23	2 432
MM Lefoka	1	2 778	-	28	-	384	3 190
JP Wentzel	2	1 328	136	30	-	122	1 616
Total executive emoluments		**9 026**	**569**	**124**	**59**	**558**	**10 336**

1 - Resigned 25 January 2012
2 - Resigned 13 October 2011
Resigned implies resigned or retired
Other benefits include mainly telephone allowances and various travel related reimbursements

Non- executive

2013

		Emoluments	*Expense allowance	Total
Dr HN Manzini - (Acting Chairperson of the Board)[2]	1	313	9	322
G Mothema (Former Chairperson of Board)		768	27	795
NCS Bebeza		264	-	264
H Daniels[2]		272	6	278
SEO Dietrich		105	4	109
N Kela		497	14	511
N Mthethwa		565	16	581
TC Ngcobo	1	437	14	451
N Ndhela		199	5	204
Adv LP Nobanda		250	16	266
MS Patel[2]	1	428	99	527
K Sicwebu		342	5	347
G Simelane		410	14	424
R Sishuba		479	27	506
Total non-executive emoluments		**5 329**	**256**	**5 585**

1 Also directors of the Courier and Freight Group
* The Group re-imburses travel and accommodation expenses for members resident outside the Gauteng province
Emoluments includes both Directors' fees and annual / quarterly retainer fees

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

44. Directors' and prescribed officers' emoluments (continued)

2012

		Emoluments	Expense allowance	Other fees	Total
VF Mahlati - (Chairperson of Board)	1	501	4	-	505
G Mothema - (Chairperson of Board)		33	1	-	34
NCS Bebeza		393	-	-	393
H Daniels		68	5	-	73
SEO Dietrich		288	8	-	296
N Kela	2	8	-	-	8
SMA Malebo	1&3	478	14	-	492
V Mhlongo	1	225	5	-	230
N Mthethwa	2&4	8	-	-	8
N Ndhlela		8	-	-	8
TC Ngcobo	3&4	414	13	-	427
Adv LP Nobanda		296	15	-	311
MS Patel	3&4	489	123	-	612
PE Pokane	1&4	168	8	-	176
K Sicwebu	3	282	2	-	284
G Simelane		8	-	-	8
R Sishuba	2&4	8	-	-	8
Fees paid to past directors		-	-	2 015	2 015
Total non-executive emoluments		**3 675**	**198**	**2 015**	**5 888**

1- Resigned 29 February 2012
2- Appointment date 1 March 2012
3- Performed adhoc tasks for the Organisation
4- Members of subsidiaries and sub-Committees
Resigned implies resigned or retired
Emoluments includes both Directors' fees and annual / quarterly retainer fees

Postbank Board Nominees

2013

	Emoluments	Expense allowance	Total
M Modipa - (Chairperson: Postbank Board)	73	6	79
V Klein	33	1	34
N Lesela	53	6	59
M Mdluli	32	3	35
Total Postbank Board Nominees emoluments	**191**	**16**	**207**

Figures in Rand thousand

44. Directors' and prescribed officers' emoluments (continued)

Prescribed officers

2013

		Salary	Other compensation	Pension paid or receivable	Expense Allowance	Total
S Adam - (Acting MD Post Bank)		1600	9	147	-	1 756
BS Bulunga - (Group Company Secretary)		975	23	95	30	1 123
MS Diaz - (GE: Human Resources)		1 387	23	131	30	1 571
JS Kotsi - (GE: Mail Operations)		1 355	23	130	30	1 538
M Lancaster - (GE: Strategy)	1	1 204	23	116	30	1 373
L Lose - (GE: Corporate Affairs)		1 272	9	122	30	1 433
NA Mnisi - (GE: Consumer Services)		1 249	23	117	-	1 389
CA Phillips - (Chief Audit Executive)		1 156	23	112	30	1 321
MC Sebusi - (GM: Business Support)	2	339	2	-	8	349
Total prescribed officers' emoluments		**10 537**	**158**	**970**	**188**	**11 853**

1 - Acting CIO 1 March 2012
2 - Temporary Exco member until 30 June 2012
Resigned implies resigned or retired

2012

		Salary	Other compensation	Pension paid or receivable	E xpense Allowance	Bonus	Leave/ Notice pay	Total
S Adam - (Acting MD Postbank)	5	1 238	6	-	-	-	-	1 244
BS Bulunga - (Group Company Secretary)		974	23	89	30	41	-	1 157
MS Diaz - (GE: Human Resources)		1 381	23	126	30	41	-	1 601
NF Dikgale - (Executive Legal Services)	3	102	1	-	3	-	-	106
M Faasen - (Chairperson of Procapex)	1	562	-	-	15	53	-	630
L Govender - (Acting GE: Supply Chain)		832	6	81	23	58	-	1 000
JS Kotsi - (GE:Mail Operations)		1 380	23	126	30	44	-	1 603
M Lancaster - (GE: Strategy)		1 232	23	112	30	44	-	1 441
L Lose - (GE: Corporate Affairs)		1 299	9	118	30	44	-	1 500
M Mathibe - (MD: Courier and Freight Group)		-	-	-	-	44	-	44
MN Mbekini - (Executive Legal Services)	2	445	4	42	13	-	72	576
NA Mnisi - (GE: Consumer Services)		1 277	23	113	-	44	-	1 457
CA Phillips - (Chief Audit Executive)		1 111	23	104	30	37	-	1 305

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

44. Directors' and prescribed officers' emoluments (continued)

MC Sebusi - (Acting GE: Business Support)	1	652	4	-	15	39	-	710
JMS Sekhasimbe - (Supply Chain Management)	4	307	6	29	8	-	-	350
JJ White - (Chief Information Officer)	3	1 107	16	106	20	-	25	1 274
Total prescribed officers' emoluments		**13 899**	**190**	**1 046**	**277**	**489**	**97**	**15 998**

1 - Temporary Exco Member 1 October 2011
2 - Resigned 4 September 2011
3 - Appointed 1 March 2012
4 - Resigned 30 June 2011
5 - Appointed 1 July 2011

The above mentioned emoluments were paid to executives reporting directly to the Chief Executive Officer and other key management personnel during the period.

	Group		Company	
	2013	2012	2013	2012
Travel and subsistence advances	22	117	22	117

45. Change in estimate

Property, plant and equipment

The average useful life of certain leasehold improvements was estimated in prior years to be 7 years. In the current period management have revised their estimate to an average of 9 years. The effect of this revision has increased the depreciation charges for the current and future periods by R 6.8 million.

The useful life of certain plant and machinery was estimated in prior years to be 17 years. In the current period management have revised their estimate to 19 years. The effect of this revision has increased the depreciation charges for the current and future periods by R 3.8 million.

The useful life of certain data processing equipment was estimated in prior years to be 6 years. In the current period management have revised their estimate to 8 years. The effect of this revision has increased the depreciation charges for the current and future periods by R 4 million.

Intangible Assets

The useful life of computer software was estimated in prior years to be 9 years. In the current period management have revised their estimate to 11 years. The effect of this revision has increased the amortisation for the current and future periods by R 8.4 million.

46. Comparative figures

Certain comparative figures have been reclassified to conform to the disclosure required by IFRS. Retained earnings was not affected with these reclassifications and the reclassifications were not qualitatively material and thus a restatement of the prior year did not occur.

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

46. Comparative figures (continued)

The following indicates the reasons for the reclassifications:

1. Investments and other financial assets:

In the prior year the investments and other financial assets were categorised into two (2) separate categories on the face of the Statement of Financial Position. The items have been consolidated in the current year as they both relate to investments and other financial assets held by the entity.

2. Deferred tax:

The deferred tax assets and liabilities of the entities in the Group were previously disclosed separately on the face of the Statement of Financial Position. The deferred tax assets and liabilities of the entities in the Group have been consolidated into one balance in the current year.

3. Non-distributable reserves:

In the prior year the available-for-sale-reserve and funds received from Shareholder were categorised into two (2) separate categories on the face of the Statement of Financial Position. The items have been consolidated in the current year as they both relate to non-distributable reserves held by the entity.

4. Retirement benefit obligation:

In the prior year all employment related obligations were consolidated and disclosed together on the face of the Statement of Financial Position into "employment benefit obligations". In the current year the employment liabilities related to retired employees have been included in the retirement benefits (post retirement medical aid liability and post retirement telephone obligation). All other employment related liabilities (long service leave award, long service cash award and leave pay) have been transferred to the provisions category in the Statement of Financial Position. The movement of the liabilities related to current employees to provisions was in order to achieve better disclosure in enabling the user to asses liabilities related to current and past employees.

5. Trade and other payables:

The trade and other payables have declined after the reclassification due to a number of items which were previously included in the category being transferred to other categories. Bonus liabilities and other payables balances which displayed the characteristics of provisions were transferred to provisions in order to achieve better disclosure. Agency services liabilities which were included as part of trade payables in the prior year have been transferred to funds collected on behalf of third parties as this more adequately discloses the nature of the liability.

6. Provisions:

In the prior year the only items included in the provisions related to the site restoration liability. The balance has increased after the reclassification due to the transfer of amounts from retirement benefit obligation as noted above and the transfer of items from the trade and other payables as noted above.

7. Funds collected on behalf of third parties:

The balance has increased after the reclassification due to the transfer of amounts from trade and other payables as noted above.

46. Comparative figures (continued)

8. Revenue:

Finance income related to Postbank division has been transferred to revenue as it is assessed to be a significant revenue stream of the Group and the transfer will provide better disclosure related to the revenue generated by the Group.

9. Other income:

Other income has increased after the reclassification due to the transfer of recoveries related to the government grants from operating expenses. The reclassification was to achieve better disclosure of the recoveries by the Group in relation to the expenses incurred.

10. Employee costs:

Post retirement medical benefits expenses which were separately disclosed on the face of the Statement of Comprehensive Income in the prior year have been included in employee costs in the current financial year as these expenses related to the past employment of employees.

11. Transport costs:

Expenses related to leases of vehicles, fuel and employee travel and subsistence have been transferred to operating expenses.

12. Operating expenses:

Due to the change in the presentation of the Statement of Comprehensive Income in the current year from nature to function, these expenses are included in operating expenses in the current year and are not separately disclosed as in the prior year.

13. Fair value adjustments:

Due to the change in the presentation of the Statement of Comprehensive Income in the current year from nature to function, fair value adjustments are shown separately in the current year.

14. Interest paid:

In the prior year interest expenses incurred by the Postbank division were disclosed separately from all other interest expenses incurred by the Group. Due to the change in the presentation of the Statement of Comprehensive Income in the current year from nature to function, all interest expenses have been combined.

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

46. Comparative figures (continued)

The effects of the reclassification are as follows:

Statement of Financial Position	Reported Group 2012	Reclassification	Reclassified Group 2012	Reported Company 2012	Reclassification	Reclassified Company 2012
Non-Current Assets						
Investment property	20 379	-	20 379	20 379	-	20 379
Property, plant and equipment	1 184 449	-	1 184 449	1 158 943	-	1 158 943
Intangible assets	64 439	-	64 439	62 729	-	62 729
Investment in subsidiaries	-	-	-	40 596	(2 851)	37 745
Loans and long term receivables to group companies	-	-	-	-	2 851	2 851
Investment and other financial assets (1)	-	531 296	531 296	-	531 296	531 296
Other financial assets (1)	531 296	(531 296)	-	531 296	(531 296)	-
Deferred tax (2)	316 726	(301)	316 425	313 560	-	313 560
	2 117 289	(301)	2 116 988	2 127 503	-	2 127 503
Current Assets						
Inventories	61 293	-	61 293	61 102	-	61 102
Investment and other financial assets (1)	-	4 391 425	4 391 425	-	4 286 742	4 286 742
Other financial assets (1)	275 771	(275 771)	-	186 088	(186 088)	-
Investments (1)	4 115 654	(4 115 654)	-	4 100 654	(4 100 654)	-
Current tax receivable	503	-	503	-	-	-
Trade and other receivables	527 699	-	527 699	473 205	-	473 205
Cash and cash equivalents	3 277 157	-	3 277 157	3 237 102	-	3 237 102
Non-current assets held for sale	201	-	201	-	-	-
	8 258 278	-	8 258 278	8 058 151	-	8 058 151
Total Assets	10 375 567	(301)	10 375 266	10 185 654	-	10 185 654
Equity						
Share capital	(200 940)	-	(200 940)	(200 940)	-	(200 940)
Non-distributable reserves (3)	-	(750 010)	(750 010)	-	(750 010)	(750 010)
Available-for-sale-reserve (3)	(10)	10	-	(10)	10	-
Funds received from Shareholder (3)	(750 000)	750 000	-	(750 000)	750 000	-
Retained income	(1 761 247)	-	(1 761 247)	(1 709 935)	-	(1 709 935)
	(2 712 197)	-	(2 712 197)	(2 660 885)	-	(2 660 885)
Non-Current Liabilities						
Operating lease liability	(44 047)	-	(44 047)	(43 507)	-	(43 507)
Retirement benefit obligation (4)	(1 223 937)	109 806	(1 114 131)	(1 218 991)	105 454	(1 113 537)
Provisions (6)	(8 329)	(113 076)	(121 405)	(6 312)	(102 283)	(108 595)
Deferred tax (2)	(301)	301	-	-	-	-
	(1 276 614)	(2 969)	(1 279 583)	(1 268 810)	3 171	(1 265 639)
Current Liabilities						
Amounts owing to Shareholder	(248 327)	-	(248 327)	(248 327)	-	(248 327)
Subsidy unutilised	(94 602)	-	(94 602)	(94 602)	-	(94 602)
Current tax payable	(8 937)	-	(8 937)	(7 947)	-	(7 947)
Operating lease liability	(16 255)	-	(16 255)	(15 159)	-	(15 159)
Trade and other payables (5)	(1 032 678)	257 358	(775 320)	(922 029)	245 678	(676 351)
Retirement benefit obligation (4)	(214 227)	92 319	(121 908)	(208 710)	86 843	(121 867)
Unearned revenue	(345 718)	-	(345 718)	(335 606)	-	(335 606)
Provisions (6)	-	(253 029)	(253 029)	-	(242 314)	(242 314)
Deposits from the public	(4 257 864)	-	(4 257 864)	(4 257 864)	-	(4 257 864)
Funds collected on behalf of third parties (7)	(165 715)	(93 378)	(259 093)	(165 715)	(93 378)	(259 093)
Outstanding insurance claims	(2 433)	-	(2 433)	-	-	-
	(6 386 756)	3 270	(6 383 486)	(6 255 959)	(3 171)	(6 259 130)
Total Equity and Liabilities	(10 375 567)	301	(10 375 266)	(10 185 654)	-	(10 185 654)

Figures in Rand thousand

46. Comparative figures (continued)

Statement of Comprehensive Income	**Reported Group 2012**	**Movement**	**Reclassified Group 2012**	**Reported Company 2012**	**Movement**	**Reclassified Company 2012**
Revenue (8)	5 433 014	267 783	5 700 797	5 054 833	267 783	5 322 616
Postbank finance income (8)	267 783	(267 783)	-	267 783	(267 783)	-
Other income (9)	-	401 655	401 655	-	425 803	425 803
Other operating income (9)	234 014	(234 014)	-	258 163	(258 163)	-
Operating expenses (12)	-	(2 220 402)	(2 220 402)	-	(2 144 175)	(2 144 175)
Employee costs (10)	(3 228 309)	(143 705)	(3 372 014)	(3 100 968)	(143 477)	(3 244 445)
Transport costs (11)	(606 995)	170 105	(436 890)	(432 475)	137 974	(294 501)
Property operating leases (12)	(292 664)	292 664	-	(276 635)	276 635	-
Vehicle operating leases (12)	(82 683)	82 683	-	(82 683)	82 683	-
Other expenses (12)	(1 305 900)	1 305 900	-	(1 277 557)	1 277 557	-
Consumables and inventory utilised (12)	(146 210)	146 210	-	(146 210)	146 210	-
Postbank finance costs (14)	(18 609)	18 609	-	(18 609)	18 609	-
Post-retirement medical benefits (10)	(136 471)	136 471	-	(136 519)	136 519	-
Operating profit	**116 970**	**(43 824)**	**73 146**	**109 123**	**(43 825)**	**65 298**
Finance income (8)	166 407	574	166 981	158 205	671	158 876
Fair value adjustments (13)	-	62 436	62 436	-	62 436	62 436
Interest paid (14)	(32 399)	(19 186)	(51 585)	(30 293)	(19 282)	(49 575)
Profit before tax	**250 978**	**-**	**250 978**	**237 035**	**-**	**237 035**
Tax	(92 271)	-	(92 271)	(88 189)	-	(88 189)
Profit for the year	**158 707**	**-**	**158 707**	**148 846**	**-**	**148 846**
Other comprehensive income net of tax	(852)	-	(852)	(852)	-	(852)
Total comprehensive income for the year	**157 855**	**-**	**157 855**	**147 994**	**-**	**147 994**

47. Risk management

Capital risk management

Capital risk refers to the risk that the Group will become unable to absorb losses, maintain public confidence and support the competitive growth of the business. The management of capital risk will ensure that opportunities can be acted on timeously while solvency is never threatened.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the Shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Notes to the Consolidated Annual Financial Statements

		Group		Company	
Figures in Rand thousand		2013	2012	2013	2012

47. Risk management (continued)

The capital structure of the Group consists of debt, which includes the borrowings (excluding derivative financial liabilities)disclosed in notes 9, 10 & 23 and cash and cash equivalents disclosed in note 18.

Capital is defined as 'equity and reserves', 'amount owing to the Shareholder' and 'subsidy received in advance' as shown on the Statement of Financial Position.

The Group's exposure to capital risk arises from primarily the following:
- Funds which are being received from the Shareholder may cease before completion of the projects that they are inteded to financed;
- Funds received from the Shareholder are specifically for certain identified projects.

The capital risk is managed in terms of certain guidelines agreed between the Group and the Shareholder.

The Group has complied with all externally imposed capital requirements.

The were no changes to the Group's approach to capital management during the period.

The gearing ratio at 2013 and 2012 respectively were as follows:

Total borrowings	**Note**				
Amounts owing to the Shareholder	10	270 674	248 327	270 674	248 327
Less: Cash and cash equivalents	18	3 276 755	3 277 157	3 237 394	3 237 102
Net debt		(3 006 081)	(3 028 830)	(2 966 720)	(2 988 775)
Total equity		2 533 510	2 712 197	2 501 997	2 660 885
Total capital		**(472 571)**	**(316 633)**	**(464 723)**	**(327 890)**
Gearing ratio		636 %	957 %	172 %	643 %

Financial risk management

A comprehensive treasury policy has been compiled and approved by the Board to ensure that all financial risks to which the Group is exposed are understood and managed. The treasury policy covers all key areas of risk management namely identification, measurement, management and reporting of risk. Governance structures are in place to achieve effective independent monitoring and management of market risks through:
- The Group's Asset and Liability Management ("ALM") function that is responsible for the day to day monitoring, evaluation and reporting of all market risks;
- The Group's Asset and Liability Committee ("ALCO") which is responsible for ensuring that the impact of financial risks is being effectively managed and reported throughout the South African Post Office (SOC) Limited Group and that all policies, risk, limits, and relevant market risk issues are reported to the Group's Risk Committee;
- The Board 's Group Risk Committee which is responsible for ensuring that from a strategic perspective, risk is handled as an area of competitive advantage and a key source of innovation;
- The Group ALCO reports on a quarterly basis to the Board 's Group Risk Committees.

Finance risk management objectives

The Group's ALM function monitors and manages financial risks relating to the treasury operations of the Group through internal risk reports which analyse the degree and magnitude of risks. These risks include fair value interest rate risk, currency risk, credit risk, liquidity risk and cash flow interest rate risk.

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

47. Risk management (continued)

The Group seeks to minimise the effects of the negative impact of these risks by ensuring compliance with the treasury policy limits and benchmarks with regard to the following:
- Proposed money market investment strategies do not result in the breach of asset / liability mismatch gap limit;
- Ensuring that the net interest income volatility is within approved benchmark;
- Adequate overnight liquidity limit is complied with by having sufficient call balances;
- South African South African Post Office (SOC) Limited's credit exposure is diversified across a range of acceptable counterparties and the maximum investment with a particular counterparty will be limited to 25% of the total investments. Where the amount to be invested per entity is less than or equal to R50 million, the minimum investment with any one counterparty should be limited to 50% + 1 of the total investment and not exceeding R25 million;
- Instrument limits are set to avoid excess concentration in any given financial investment instrument.

Overall the Group's main financial risk management objective is to ensure enhanced return within the risk profiles or parameters approved by the Board .

Fair value assumptions of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:
- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The fair value of foreign currency forward contracts is measured using quoted forward exchange rates and interest rate differential between local and foreign rates derived from quoted interest rates matching maturities of contracts.

Valuation of unlisted shares in Gidani Management (Pty) Ltd

The Group had previously owned an equity stake of 1125 shares in Uthingo Management (Pty) Ltd. The liquidation of Uthingo Management (Pty) Ltd was finalised in the financial year ending 31 March 2010. The Group received a final termination dividend of R 1.917 million (2012: R 3.333 million) in the current financial year. (Refer to note 33).

Subsequent to the liquidation of Uthingo Management (Pty) Ltd, the Group had been allocated 100 ordinary shares in Gidani Management (Pty) Ltd, which represent 10% of Gidani shares. The shares were allocated to the South African South African Post Office (SOC) Limited by the Department of Trade and Industry on 28 July 2010.

The fair value of the South African South African Post Office (SOC) Limited stake in Gidani was determined by management to be zero. The discounted cash flow model was used in the determination of the fair value of South African South African Post Office (SOC) Limited shareholding in Gidani.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet both expected and unexpected current and future cash flow needs without negatively affecting either the daily operations or the financial condition of the Group.

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

47. Risk management (continued)

The Group's exposure to liquidity risk arises mainly as a result of the following:
- Unexpected withdrawal of cash by Postbank clients;
- Daily working capital requirements;
- The Group has signed contracts with third parties where its retail network is used as a collection agent for municipalities and other institutions. All contracts stipulate that funds collected for third parties are paid over to them after 24 hours.

Liquidity risk is managed in terms of the Board approved treasury policy with appropriate dashBoard liquidity risk profiles which are monitored by the Group ALM function. The management of liquidity risk and particularly the Group's cash flows is strongly focused on the short to medium term to ensure that the Group ALM function and the Treasury are quick to respond to immediate cash flow requirements under different stress scenarios.

On a quarterly basis, the Group ALM function performs behavioural and stress analyses to identify business as usual as well as potential stress cash flow requirements. Medium and long term liquidity strategies are approved by the Group ALCO and implemented by the Group Treasury.

The Group manages its daily liquidity by having cash reserves on overnight call balances of at least R250 million and maintaining overdraft credit facilities with all the major banks. The Group ALM function monitors the forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities of the banking division

At year-end, the Group had overnight call balances of R 474 million (2012: R 834 million) and R 80 million (2012: R 80 million) in overdraft / credit facilities with the major banks. Of the R 80 million overdraft facilities, no overdraft facility was utilised at year-end (2012: R 0 million).

Actions in managing liquidity risk at Group ALCO meetings are reported to the Group's Risk Committee of the Board on a quarterly basis.

Liquidity risk tables.

The tables below detail the Group's remaining contractual maturity for its financial liabilities and financial assets. The figures have been compiled based on the undiscounted cash flows of financial liabilities and financial assets based on the earliest date on which the Group can be required to recognise financial assets and settle financial liabilities.

Contractual maturity analysis for financial liabilities and financial assets.

The liquidity risk table below shows the contractual maturity gap at period end. The tables include both interest and principal cash flows.

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

47. Risk management (continued)

Group

At 31 March 2013	Overnight	Less than 3 months	Between 3 and 12 months	Greater than 1 year	Equity	Total
Cash and cash equivalents	1 865 291	1 446 469	-	-	-	3 311 760
Current Investments	-	639 019	3 405 797	-	-	4 044 816
Other financial assets	119 813	35 216	75 644	157 553	321 009	709 235
Trade and other receivables	-	562 210	-	-	-	(270 674)
Amounts owing to Shareholder	-	(270 674)	-	-	-	-
Deposits from the public	(4 352 125)	(43 872)	(58 051)	(49 760)	(19 404)	(4 523 212)
Funds collected on behalf of third parties	(130 703)	-	-	-	-	(130 703)
Outstanding insurance claims	-	(700)	-	-	-	(700)
Trade and other payables	-	(720 046)	-	-	-	(720 046)
	(2 497 724)	**1 647 622**	**3 423 390**	**107 793**	**301 605**	**2 982 686**

At 31 March 2012	Overnight	Less than 3 months	Between 3 and 12 months	Greater than 1 year	Equity	Total
Cash and cash equivalents	2 157 749	1 101 226	-	-	-	3 258 975
Current Investments	-	510 523	3 792 774	-	-	4 303 297
Other financial assets	135 509	22 473	46 633	186 844	294 191	685 650
Trade and other receivables	-	527 698	-	-	-	527 698
Amounts owing to Shareholder	-	(248 327)	-	-	-	(248 327)
Deposits from the public	(4 106 941)	(51 805)	(115 557)	(22 936)	-	(4 297 239)
Funds collected on behalf of third parties	(259 093)	-	-	-	-	(259 093)
Outstanding insurance claims	-	(2 433)	-	-	-	(2 433)
Trade and other payables	-	(747 989)	-	-	-	(747 989)
	(2 072 776)	**1 111 366**	**3 723 850**	**163 908**	**294 191**	**3 220 539**

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

47. Risk management (continued)

Company

At 31 March 2013	Overnight	Less than 3 months	Between 3 and 12 months	Greater than 1 year	Equity	Total
Cash and cash equivalents	1 826 246	1 446 469	-	-	-	3 272 714
Current Investments	-	639 019	3 390 413	-	-	4 029 423
Loans and long term receivables to group companies	-	9 714	29 144	3 079	-	41 937
Other financial assets	119 813	35 216	75 644	157 553	321 009	709 235
Trade and other receivables	-	558 620	-	-	-	-
Amounts owing to Shareholder	-	(270 674)	-	-	-	(270 674)
Deposits from the public	(4 352 125)	(43 872)	(58 015)	(49 760)	(19 404)	(4 523 176)
Funds collected on behalf of third parties	(130 703)	-	-	-	-	(130 703)
Outstanding insurance claims	-	(700)	-	-	-	(700)
Trade and other payables	-	(663 019)	-	-	-	(663 019)
	(2 536 769)	**1 710 773**	**3 437 186**	**110 872**	**301 605**	**2 465 037**

At 31 March 2012	Overnight	Less than 3 months	Between 3 and 12 months	Greater than 1 year	Equity	Total
Cash and cash equivalents	2 116 377	1 085 782	-	-	-	3 202 159
Current Investments	-	510 523	3 792 774	-	-	4 303 297
Loans and long term receivables to group companies	-	-	-	4 930	-	4 930
Other financial assets	135 509	22 473	46 633	186 844	294 191	685 650
Trade and other receivables	-	476 366	-	-	-	-
Amounts owing to Shareholder	-	(248 327)	-	-	-	(248 327)
Funds collected on behalf of third parties	(259 093)	-	-	-	-	(259 093)
Deposits from the public	(4 106 941)	(51 805)	(115 557)	(22 936)	-	(4 297 239)
Trade and other payables	-	(676 351)	-	-	-	(676 351)
	(2 114 148)	**1 118 661**	**3 723 850**	**168 838**	**294 191**	**2 715 026**

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

47. Risk management (continued)

Market risk

Market risk is the potential negative impact on earnings resulting from unfavourable changes in exchange rates, interest rates, prices and other market volatilities i.e. the risk that the fair value or future cash flows of financial instruments will fluctuate.

The Group's exposure to market risk arises primarily from its activities in four main areas:

- Interest rate risk in the Group's portfolio as a result of the financial assets and financial liabilities re-pricing mismatch in line with Group ALCO's view of the interest rates;
- Repricing risk is the risk of adverse impact on the Group's interest return from mismatched financial assets and liabilities. Investment risk arising from the Group's surplus cash flow. The investment risk is the risk of falling interest rates at the time of the investment or re-investment of the Group's surplus cash or the risk of the cash reserves maturing being re-invested at lower rates than expected;
- Foreign exchange risk arising from the Group's exposure to international postal services and products as well import of capital goods sourced offshore;
- Systemic risk is the risk that events either globally or locally threaten the ongoing financial soundness of financial markets.

The Group manages the market risk it is exposed to in its banking division's money market portfolio by restricting the money market re-pricing mismatch or gap between interest rate sensitive financial assets and financial liabilities to a percentage gap or difference agreed at Group ALCO meetings and documented in the Group treasury policy.

The Group manages the foreign exchange risk by hedging exposures that are above a certain limit as per the requirements of the Group treasury policy.

Market risk is quantified by performing sensitivity analyses on both interest and exchange rates. For interest rate risk, the policy stipulates that a 1% point adverse shift in the yield curve should not result in a 10% reduction in the projected income in the money market portfolio return over a 12 months horison. This is done for both the held to maturity portfolio where cash flow interest sensitivity is measured and the available for sale portfolio in respect of fair value sensitivity analysis.

The Group's exposure to currency risk is also evaluated by the exchange rate sensitivity analysis. The Group only enters into a foreign exchange forward cover where the foreign exposure is greater than R 1 million and a one percentage point adverse move in the exchange rate result in a loss of R 500 000 over a one day horison.

It is the responsibility of the Group ALM function to monitor compliance with risk limits and all breaches are discussed at monthly Group ALCO meetings.

All measures actioned in managing market risk at Group ALCO meetings are reported to the Group Risk Committee of the Board on a quarterly basis.

Interest rate risk

Interest rate risk is the risk that the Group's earnings or economic value of the financial assets will decline as a result of changes in the interest rates.The Group's exposure to interest rate risk arises primarily from the following:

- Re-pricing risk (mismatch risk) - timing differences in the maturity and re-pricing of financial assets and financial liabilities;
- Investment risk on the Group surplus operational cash reserves arising from adverse movements in the interest rates.

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

47. Risk management (continued)

The interest rate risk is managed in terms of the Board approved treasury policy. The policy specifies a percentage gap or re-pricing mismatch between interest rate sensitive financial assets and financial liabilities which in turn is monitored and measured by the Group ALM function. Interest rate limit breaches are reported at the Group ALCO meetings.

Activities in managing interest rate risk at Group ALCO meetings are reported to the Group's Risk Committee of the Board on a quarterly basis.

Appropriate interest rate risk dashBoard indicators have been compiled to provide Group ALCO members with the necessary interest rate risk information on a weekly basis, including a measure of compliance with approved limits and benchmarks.

Cash flow interest rate risk

The table below reflects net interest income sensitivity for a given 1% up and downward shift in interest rates at year-end:

Increase (decrease)				
1% increase in interest rates	25 992	25 531	25 554	25 060
1% decrease in interest rates	(42 403)	(45 403)	(41 964)	(44 932)

Fair value interest rate risk

The table below reflects the impact on the available for sale equity reserve for a given 1% up and downward shift in interest rates at year end:

Increase (decrease)				
1% increase in interest rates	(6 747)	(6 312)	(6 747)	(6 312)
1% decrease in interest rates	6 834	6 398	6 834	6 398

The R 40.403 million (2012: R 45.403 million) reduction in the Group's net interest income for a 1% fall in the interest rates represents a 12.14% (2012: 10.6%) decline in net interest income for the period. On the available for sale revaluation reserve, the R 6.7 million (2012: R 6.3 million) increase in the equity reserve represents 0.51% (2012: 0.51%) of the market value of the available for sale portfolio at year-end.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in the financial loss to the Group.

The Group's exposure to credit risk arises primarily from credit sales to its clients and money market investment activities. Credit risk is managed in terms of the Board approved Group treasury risk policy, which in turn encompasses comprehensive credit procedures, limits and governance structure. Formal credit ratings are utilised in the credit evaluation process of the counterparties.

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

47. Risk management (continued)

The minimum credit ratings for counterparties are Fitch National Long Term Rating 'A' and Fitch National Short Term Rating 'F1'. The credit quality of counterparties is monitored by Group ALM function. The Group credit exposure is diversified across a range of acceptable counterparties and the maximum investment with any counterparty is limited to 25% of total investments. All counterparty limits are reviewed in line with balance sheet growth and at least on an annual basis.

It is the responsibility of the Group ALM function to monitor compliance with the approved counterparty credit limits and any breach is reported to the monthly Group ALCO meeting.

Activities in managing credit risk at Group ALCO meetings are reported to the Group Risk Committee of the Board on a quarterly basis.

The carrying amounts of financial assets recorded in the Financial Statements represents the Group's maximum exposure to credit risk. The Group is further exposed to the credit risk as a result of the housing guarantees that it issues on behalf of a certain category of its employees. At year-end the maximum amount the Group could have to pay if the guarantees are called on amounts to R 1.504 million, (2012: R 1.510 million).

All financial assets except for those that are measured at fair value through profit or loss are assessed to determine any evidence of impairment. Any deterioration in any counterparty credit rating is regarded as evidence of impairment. During the course of the period 2013, there was no evidence of impairment observed in held to maturity financial assets and available for sale assets held by the Group.

The Group credit risk is considered to be limited because all its counterparties are major banks with high credit ratings and other investments are in Government and liquid corporate paper. The credit risk profile and quality of the Group's counterparties is considered to be sound, well managed and commensurate with the risk appetite of the Board .

Foreign exchange risk

Foreign exchange risk is the risk of the decline in the earnings or realisable value in the net financial asset position of the Group arising from adverse movements in foreign exchange rates.The Group is exposed to foreign exchange risk as a result of exposures that arise from rendering of international postal services and products as well as capital imports that are sourced offshore.

The Group manages the foreign currency exposures relating to international postal services through the utilisation of Universal Postal Union (UPU) approved netting agreements between South Africa and debtor and creditor countries. In the event where the exposure after netting exceeds the limit specified below, a forward foreign exchange contract is taken to hedge the foreign exchange risk.

The Group manages foreign exchange risk arising from capital imports sourced offshore by utilisation of forward foreign exchange contracts as documented in the Board approved treasury policy. The treasury policy stipulates the following in respect of utilisation of forward cover:

No forward cover is required where the currency exposure is less than R1 million in value and a 1% adverse exchange rate move does not result in a R 500 000 currency loss;

Forward cover is taken where the exposure in respect of a specific foreign currency commitment is more than R 1 million and 1% adverse move in the exchange rate results in the Group experiencing a loss of more than R 500 000. Actions taken in managing foreign exchange risk at Group ALCO meetings are reported to the Group Risk Committee of the Board on a quarterly basis;

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

47. Risk management (continued)

Uncovered foreign exchange exposures.

At year-end, the Group was exposed to the following foreign currency denominated financial assets and financial liabilities for which no forward cover had been taken out:

Foreign currency exposure at the end of the reporting period

	2013	2012	2013	2012
Financial Assets				
Botswana Pula	11	9	11	9
Euro	76	21	76	21
Great Britain Pounds	1 417	39	1 417	39
Special Drawing Rights	10 191	10 514	10 191	10 514
United States Dollars	995	1 309	995	1 309
Financial Liabilities				
Botswana Pula	273	386	273	386
Euro	361	377	361	377
Kenyan Shilling	173	236	173	236
New Zealand Dollar	11	337	11	337
Special Drawing rights	9 860	9 241	9 860	9 241
United States Dollars	21	44	21	44
Zambia Kwacha	4	9 994	4	9 994
Swiss Franc	3	-	3	-
Increase (decrease)				
1% increase in exchange rate	(290)	(191)	(290)	(191)
1% decrease in exchange rate	290	191	290	191

At year-end, the Group's net income at risk from foreign exposure arose from the net asset currency position. A depreciation of 1% in the exchange rate would result in R 0.290 million foreign currency gain for the Group (2012: R 0.191 million currency gain).

Price Risk

The table below reflects the impact on the Group's income for a given 1% up and downward shift in market rates at period end:

	2013	2012	2013	2012
Increase (decrease)				
1% increase in interest rates	(5 706)	(4 659)	(5 706)	(4 659)
1% decrease in interest rates	6 656	5 334	6 656	5 334

At year-end, the Group had total price risk of R 5.7 million on the Post Retirement Medical Assets (PRMA) to income. (2012: R 4.7 million) for a 1% increase in the rates and share prices as well as 1% appreciation in the exchange rate.

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

47. Risk management (continued)

Finance income recognised in profit or loss

Income earned analysed by class of financial asset:				
Cash and cash equivalents	121 473	136 902	120 088	135 277
Current investments	17 314	18 389	16 493	12 087
Other financial assets	7 434	8 768	1 917	3 333
Total recognised in profit or loss	**146 221**	**164 059**	**138 498**	**150 697**

Recognised directly in other comprehensive income				
Revaluation of available for sale financial assets:				
Current investments	(149)	(760)	(149)	(760)
Other financial assets	-	(91)	-	(91)
Total revaluation loss recognised in other comprehensive income	**(149)**	**(851)**	**(149)**	**(851)**

Expense incurred on financial liabilities, analysed by class of financial liability:				
Finance leases	(1 572)	-	-	-
Interest bearing borrowings	(451)	(2 647)	(1 875)	(815)
Interest on amount owing to the Shareholder	(22 347)	(21 352)	(22 347)	(21 352)
Trade and other payables discounted	(3 048)	(8 977)	(3 048)	(8 799)
Total expenses incurred on financial liabilities	**(27 418)**	**(32 976)**	**(27 270)**	**(30 966)**

Method and assumptions: Sensitivity analyses of financial assets and liabilities

(i) Fair value interest sensitivity

On Government and corporate bonds classified as available for sale assets, the Group determines fair value interest sensitivity using quoted yield to maturity rates for specific government and corporate bonds held by the Group. The Group calculates the fair value interest sensitivity for a one day horison and is measured for a 1% parallel shift in the rates. For fair value sensitivity the Group treasury policy stipulates that a 1% adverse change in the rates should not result in a 0.75% capital loss in the portfolio over a one day period.

(ii) Cash flow interest sensitivity

The Group calculates the cash flow interest sensitivity to determine interest at risk on held to maturity financial assets and financial liabilities at amortised cost. (Note that none of the loans and receivables are interest bearing). The cash flow interest sensitivity includes all variable interest bearing financial assets and liabilities included in these categories. The sensitivity is calculated by interpolating along the Jibar and FRA quoted rates. The interpolation is performed to coincide with the maturities and re-investments of the principal cash flows. The calculation of the cash flow interest sensitivity analysis is in line with the Group's investment strategy. The cash flow sensitivity is measured for a 1% parallel shift in the rates.

47. Risk management (continued)

(iii) Foreign currency sensitivity

The Group calculates foreign currency risk sensitivity on both the hedged and uncovered foreign currency exposures. The sensitivity is calculated by using the quoted exchange rates against the local currency i.e. rand. The foreign exchange rate sensitivity is calculated for one day holding period on uncovered foreign exposures. The exchange rate sensitivity is measured for a 1% change in the rates.

(iv) Equity risk sensitivity

At year-end, the Group had unlisted shares in Gidani Management (Pty) Ltd. The directors had used the discounted cash flow model in determining the fair value of the shares. The equity risk in the shares was considered to be minimal as the equity holding wasn't exposed to the volatility of the stock market. On listed shares, the equity price risk is measured for 1% change in the share prices.

(v) Fair value of financial assets and financial liabilities recorded at amortised cost

The directors consider the carrying amount of financial assets and financial liabilities recorded at amortised cost and having a duration that is less or equal to 12 months as approximating their fair value. At year-end there were no financial assets and financial liabilities having a duration greater than 12 months that were carried at amortised cost.

(vi) Fair value measurements recognised in the statement of financial position

An analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. See note 11.

48. Going concern

The Consolidated Annual Financial Statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the Company to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations for the Company.

The Group sustained a net loss of R 178.687 million (2012: R 157.855 million profit) for the year. The net loss resulted from the decline in revenues contributed by lower customer volumes, the loss of the SASSA social grant pay-out business and the labour strike action during the year.

As at 31 March 2013 the Group's total assets exceeded the total liabilities by R 2.534 billion (2012: R 2.712 billion). Revenue growth initiatives and cost optimisation form the basis of our turnaround strategy that will realise an improvement to the financial position.

The removal of the subsidy from Government means that the South African Post Office (SOC) Limited has to be sustainable from revenues generated whilst funding the cost of the marginal post offices in the under-serviced areas.

The Postbank Corporatisation will also add further pressure to the performance of the South African Post Office (SOC) Limited to fund the escalating costs of the Retail network.

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

48. Going concern (continued)

The Consolidated Annual Financial Statements have been prepared on the basis of accounting policies applicable to a going concern, is deemed appropriate. The basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

49. Fruitless and wasteful expenditure

Opening balance	38 338	38 105	30 661	30 559
Fruitless and wasteful expenditure - current year	794	233	794	102
Less Condoned	-	-	-	-
Total fruitless and wasteful expenditure	**39 132**	**38 338**	**31 455**	**30 661**

Analysis of current fruitless and wasteful expenditure - current year				
3G cards	148	-	148	-
Penalties and interest	614	131	614	-
Rent paid without occupation	32	102	32	102
Total current fruitless and wasteful expenditure - current year	**794**	**233**	**794**	**102**

Other expenditures in the Statement of Comprehensive Income includes fruitless and wasteful expenditures that were incurred during the period under review. These expenditures are made up of fines and penalties of suppliers and third party customers, as well as rental incurred on leased property before taking up occupation.

50. Material losses due to criminal conduct

Fraudulent incident relating to Post Office Treasury	5 275	31 160	5 275	31 160

51. Irregular expenditure

Opening Balance	71 713	33 285	71 713	33 285
Add: Irregular expenditure - relating to prior year	1 116 760	38 428	876 920	38 428
Add: Irregular expenditure - relating to current year	1 049 934	-	795 708	-
Less: Amounts condoned	(2 121 041)	-	(1 626 960)	-
Less: Amounts recoverable (not condoned)	-	-	-	-
Less: Amounts not recoverable (not condoned)	-	-	-	-
Irregular expenditure awaiting condonation	**117 366**	**71 713**	**117 381**	**71 713**

Analysis of awaiting condonation per age classification				
Current year	-	-	45 654	-
Prior years	427 680	-	71 713	-
Total irregular expenditure awaiting condonation	**427 680**	**-**	**117 367**	**-**

Notes to the Consolidated Annual Financial Statements

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Figures in Rand thousand	2013	2012	2013	2012

51. Irregular expenditure (continued)

Irregular expenditure is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including:

(a) the PFMA Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of that Act; or
(c) any provincial legislation providing for procurement procedures in that Provincial Government.

Categories of irregular expenditure include:

- Irregular expenditure incurred as a result of non-compliance with a Treasury Regulation which required cognisance to be take of a National Treasury determination. For example, a department, trading entity, constitutional institution or public entity procured goods or services by means of price quotations where the value of the purchase exceeded the threshold values determined by the National Treasury for price quotations.
- Irregular expenditure incurred as a result of institutions procuring goods or services by means other than through competitive bids and where reasons for deviating from inviting competitive bids have not been recorded and approved by the accounting officer or accounting authority.
- Irregular expenditure incurred as a result of non-compliance with a requirement of the institution's delegations of authority issued in terms of the PFMA.

The South African Post Office (SOC) Limited started reporting on irregular expenditure in the 2011 Financial Year in accordance with the PFMA requirement and continued accordingly. The South African Post Office (SOC) Limited is in the process to address the root causes resulting in Irregular expenditure and it should also be noted that a total solution will only be achieved in the medium term due to the interventions considered and currently being implemented.

The current amount disclosed as per the note relates to irregular expenditure that was investigated and subsequently condoned by the appropriate authorities. The process to identify any other irregular expenditure is continuing in order to have these investigated and condoned where relevant. Also, the expenditure was incurred or paid to address institutional requirements.

A special note regarding the irregular expenditure relating to the 2011 financial year was as follows:

The amount disclosed related to two contracts where the total contract value over the contract term were disclosed as irregular. This was done in error as it should only include the actual expenditure paid on these contracts within the relevant financial year. The note has been adjusted to account for this in the following manner:

	Previous Note	**Current Note**
Opening balance 2012	577 315	33 285
Current 2012	-	38 428
Current 2013	-	45 654
Closing balance 2013	**577 315**	**117 367**

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Figures in Rand thousand	2013	2012	2013	2012

52. Deregistered Entities

The following subsidiary entities were deregistered in the 2011/2012 financial year and the accumulated (losses) profits per the entities' 2012 Annual Financial Statements were as follows:

Subsidiary Company				
ACE Express Group (Pty) Ltd	-	(1 356 568)	-	-
ACE International (Pty) Ltd	-	(6 275 994)	-	-
Fancon (Pty) Ltd	-	(14 462)	-	-
Pensecure (Pty) Ltd	-	(425 388)	-	-
South African Bunker Services (Pty) Ltd	-	(1 100)	-	-
XPS Trucking (Pty) Ltd	-	11 088 679	-	-
Total accumulated losses	**-**	**3 015 167**	**-**	**-**

The accumulated (losses) profits in the companies were allocated to the loan accounts which were subsequently impaired.

Detailed Income Statement

		Group		Company	
Figures in Rand thousand	Note(s)	2013	2012	2013	2012
Revenue					
Retail Services					
Postbank		314 447	332 052	314 447	332 052
Retail Products		14 863	19 569	14 863	19 569
Services Rendered					
Agency and money transfer services		405 477	434 818	405 477	434 818
Courier Services		672 706	670 972	334 981	343 540
Postal		4 012 852	3 975 603	3 968 580	3 924 854
Postbank interest revenue		275 891	267 783	275 891	267 783
Total Revenue	31	**5 696 236**	**5 700 797**	**5 314 239**	**5 322 616**
Other income					
Fees earned		14 140	13 332	14 140	13 332
Commissions received		1 343	1 289	1 343	1 289
Rental income		28 550	27 810	27 566	26 988
Discount received		17 544	-	17 544	-
Recoveries		85 553	243 768	116 362	274 814
Skills development levy refund		9 919	12 001	9 841	12 001
Rental facilities income		27 721	28 130	27 721	28 130
Provident fund acturial gain		5 604	48 154	5 604	48 154
Other income		22 853	27 159	24 184	21 083
Dividend revenue	33	1 917	3 333	1 917	3 333
Interest received	33	141 640	163 648	137 296	155 543
Gains on disposal of assets		5 388	12	-	12
Profit on exchange differences		3 873	-	3 873	-
Government grants		10	-	10	-
Fair value adjustments	34	98 855	62 436	98 855	62 436
Total other income		**464 910**	**631 072**	**486 256**	**647 115**
Expenses (Refer to page 240)		**(6 295 952)**	**(6 029 306)**	**(5 916 302)**	**(5 683 121)**
Operating (loss) profit	32	**(134 806)**	**302 563**	**(115 807)**	**286 610**
Interest paid	35	(72 053)	(51 585)	(71 905)	(49 575)
(Loss) profit before tax		**(206 859)**	**250 978**	**(187 712)**	**237 035**
Taxation	36	28 295	(92 271)	28 947	(88 189)
(Loss) profit for the year		**(178 564)**	**158 707**	**(158 765)**	**148 846**
Total comprehensive (loss) income for the year		**(178 687)**	**157 855**	**(158 888)**	**147 994**

The Detailed Income Statement presented does not form part of the Annual Financial Statements and is unaudited.

Detailed Income Statement

		Group		Company	
Figures in Rand thousand	Note(s)	2013	2012	2013	2012
Expenses					
Administration and management fees		6 582	617	53 835	50 979
Advertising		87 102	73 898	85 879	73 237
Assessment rates & municipal charges		207 830	187 826	202 207	182 756
Auditors remuneration	37	13 857	13 229	11 383	11 041
Bad debts		27 936	1 504	27 765	(831)
Bank charges		142 813	137 598	142 407	137 264
Cleaning		1 728	1 867	-	-
Commission paid		3 153	606	99	93
Computer expenses		673	850	-	-
Consulting and professional fees		168 649	178 468	158 630	173 069
Consumables		72 128	71 751	68 448	67 995
Delivery expenses		43 890	42 890	32 467	31 328
Depreciation, amortisation and impairments		162 664	241 214	196 641	228 047
Donations		3 690	1 722	3 289	1 508
Employee costs		3 600 566	3 372 014	3 458 025	3 244 445
Entertainment		359	382	272	330
General expenses		1 652	20 161	518	58 030
Fines and penalties		432	1 103	375	1 081
Insurance		26 188	22 938	26 656	24 637
International terminal fees		77 588	61 834	77 588	61 834
Lease rentals on operating lease		440 146	418 514	414 044	393 362
Legal expenses		27 038	31 086	28 989	29 951
Loss on exchange differences		-	4 408	-	4 407
Magazines, books and periodicals		1 513	1 173	1 513	1 173
Motor vehicle expenses		134	82	54	44
Petrol and oil		110 589	99 735	77 316	72 509
Printing and stationery		34 889	39 969	34 232	39 367
Promotions		1 067	1 348	1 052	1 348
Protective clothing		8 161	17 996	7 982	17 996
Repairs and maintenance		189 181	170 284	170 754	150 272
Research and development costs		3 334	3 042	3 334	3 031
Risk expenses		16 939	23 959	-	-
Royalties and license fees		20 114	19 781	20 104	19 769
Security		5 273	3 257	5 186	3 147
Software expenses		92 752	97 835	92 752	97 830
Staff welfare		3 877	3 781	3 869	3 781
Storage fees		1 747	1 229	1 740	1 119
Subscriptions		199	-	-	-
Telephone and fax		147 312	159 952	139 371	152 060
Training		15 610	12 915	15 610	12 915
Transport and freight		467 151	436 890	312 573	294 501
Travel - local		40 252	35 635	37 608	33 628
Travel - overseas		19 194	13 963	3 735	4 068
		6 295 952	**6 029 306**	**5 916 302**	**5 683 121**

The Detailed Income Statement presented does not form part of the Annual Financial Statements and is unaudited.

Supplementary Information

	Group		Company	
Figures in Rand thousand	2013	2012	2013	2012

1. Group- three period review for the years ended March 2013

Statement of Comprehensive Income	**2013**	**2012**	**2011**
(Loss) profit before tax	(206 859)	250 978	189 333
Finance income	143 557	166 981	193 045
Finance cost	(72 053)	(51 585)	(32 686)
	(135 355)	**366 374**	**349 692**

Statement of Financial Position	**2013**	**2012**	**2011**
Capital and reserves	2 533 510	2 712 197	2 554 342
Non-current liabilities	1 272 087	1 279 583	1 284 868
Current liabilities	6 511 306	6 383 486	6 257 933
	10 316 903	**10 375 266**	**10 097 143**

Funds supplied	**2013**	**2012**	**2011**
Non-current assets	2 173 846	2 116 988	2 113 405
Current assets	8 143 057	8 258 077	7 983 738
	10 316 903	**10 375 065**	**10 097 143**

Statement of Cash Flows	**2013**	**2012**	**2011**
Net cash (used in) generated from operating activities	(371 186)	360 820	157 074
Net cash generated from (used in) investing activities	132 417	(1 989 849)	750 107
Net cash from financing activities	238 367	149 972	(11 852)
	(402)	**(1 479 057)**	**895 329**

Solvency and liquidity	**2013**	**2012**	**2011**
Debt-equity ratio	3.072:1	2.825:1	3.140:1
Current ratio	1.251:1	1.294:1	1.270:1
Acid test ratio	1.243:1	1.284:1	1.270:1

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GLOSSARY

ALCO	Asset and Liability Committee
ALM	Asset and liability management
ATR	Annual training report
BBA	Bachelor in Business Administration
BBBEE	Broad-based black economic empowerment
BU	Business unit
CAE	Chief Audit Executive
Capex	Capital expenditure
CDP	Carbon disclosure project
CEO	Chief Executive Officer
CFC	Customer foreign currency
CFG	Courier Freight Group
CFO	Chief Financial Officer
CIO	Chief Information Officer
CIPC	Commission for Intellectual Properties and Companies
CNG	Compressed natural gas
COO	Chief Operating Officer
CPD	Continuous professional development
CRM	Customer relationship management
Docex	Document Exchange
EMMS	Environmental measuring and monitoring system
ER	Employee relations
FAIS	Financial and Intermediary Services
FECs	Foreign exchange forward contracts
FML	Full maintenance lease
FPP	Fraud prevention plan
FSB	Financial Services Board
FVTPL	Fair value through profit or loss
GAAP	Generally Accepted Accounting Practice
GCEO	Group Chief Executive Officer
GCIS	Government Communication and Information Services
GRI	Global Reporting Initiative
HRTC	Human Resources and Training Committee

IAS	International Accounting Standards
ICASA	Independent Communications Authority of South Africa
IFRS	International Financial Reporting Standards
IGF	Intermediaries Guarantee Facility Limited
IOD	Incidents on duty
IPC	International Post Corporation
ICT	Information and communications technology
IT	Information technology
MCP	Mail collection point
MD	Managing Director
MOI	Memorandum of incorporation
MTEF	Medium-term expenditure framework
NCD	Negotiable certificate of deposits
NT	National Treasury
PAA	Public Audit Act
PFMA	Public Finance Management Act
PRMA	Post-retirement medical assets
RemCom	Remuneration Committee
ROE	Return on expenditure
RPL	Recognition of prior learning
SAAA	South African Accreditation Authority
SADC	Southern African Development Community
SARS	South African Revenue Service
SASSA	Social Security Agency
SOC	State-owned company
SU	Support Unit
TCTC	Total cost to company
TTD	Temporary total disability
TVBC	Transkei, Venda, Bophuthatswana and Ciskei
UPU	Universal Postal Union
USO	Universal service obligation
VCCT	Voluntary confidential counselling and testing
WRE	Webriposte
WSP	Workplace skills plan