Annual Report 2021

SOUTH AFRICAN POST OFFICE SOC LTD

Highlights for the year

Financial Highlights

- Revenue decrease of R1.1 billion (29%).
- Net loss for the period under review at R2.7 billion.
- Docex subsidiary posted net profit of R2.2 million.
- Revenue from motor vehicle license renewal improved by R35 million from prior year.

Operational Highlights

- Mail delivery performance recovered from 0% during April Level 5 lockdown to 52.95% by year end.
- Reduction of mail carryover items from 9.94 million items to 5.07 million.
- Co-loading implemented.
- Unprecedented increase in armed robberies at branches, CIT, vehicle hijacking and business burglaries from 583 incidents (2020) to 887 (2021).
- Completion of Customs Declaration System
- Upgraded International Postal System
- Continued contribution to the Nal'ibali programme to deliver reading material to schools and reading clubs.

STRATEGY

- Customer Satisfaction Survey undertaken to gauge and improve customer satisfaction.

Information Technology

- Network availability uptime achieved at 99.37%.
- Network upgrade project achieved 96% with 1263 sites fully commissioned and upgraded connectivity.
- SITA collaboration initiative for the development of the Enterprise Application – and eCommerce platform.

Human Resources

- Reduction of 912 employees headcount to 15 826.
- Employee Satisfaction level established at 43%.
- Staff continuously redeployed to shortages.
- Recruitment for vacant positions placed on hold.

Government

- SA Post Office confirmed as essential service provider.
- Continued payment of Social Grants during Level 5 Lockdown.
- 7.9 million SASSA beneficiaries paid monthly.
- 18.9 million beneficiaries received Social Relief of Distress grants from June 2020 to March 2021.
- Total of 1 161 591 qualifying needy households registered for the DTT subsidised STBs and 598 409 STBs distributed.

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History of SA Post Office

The SA Post Office has delivered an uninterrupted service to its clients for decades. The story of SA Post Office operations began in a little office in Cape Town in 1792. Today, the organisation has evolved into the principle mover of mail in the country. Not an easy task, considering that operations are scattered across an area of more than 1.2 million square kilometres!

1792

On 2 March 1792, the acting governor, Johan Isaac Rhenius, issued a proclamation to establish a post office in a small room next to the pantry in the Castle in Cape Town. Adriaan Vincent Bergh was appointed postmaster and Aegidius Benedictus Ziervogel the first postman. Letters were accepted every morning between 09:00 and 10:00 at a cost of six "stuiwers" (half pennies). The postman would deliver the mail the next morning at an additional cost of two "stuiwers".

During the early nineteenth century mail ordinances on horseback replaced the runners on the routes between Stellenbosch, Paarl, Tulbach and Swellendam. From Swellendam Khoi took the mail on foot to Graaff-Reinet and Uitenhage. Matthew Gall was appointed Cape Postmaster General.

1815–1886

A mail boat service was introduced between England and the Cape during 1815. Fast ships conveying mail, passengers and light freight for the Cape Colony, Mauritius and India departed monthly from Britain. The first mail boat, the Eclipse, reached Cape Town 114 days later.

The first mail coach to transport passengers and mail departed from Cape Town to Swellendam during August 1843. The guard was dressed in a bright red uniform.

The main gold reef was discovered on the Witwatersrand in 1886 and that augured one of the most colourful periods in our postal history. The coaches of George Heyes & Co ran between Matjesfontein and Kimberley, and between Kimberley and Johannesburg. Matjesfontein was then the end of the railroad.

The first South African stamp, the Cape Triangular stamp, was commissioned in 1853. The figure of Hope appears on the stamp. Sir George Cathcart requested that the Cape stamps should look quite different from British stamps. The triangular stamp appeared in two values, the 'four-pence blue' and the 'one-penny red'.

The stamps were not perforated and had to be cut with a pair of scissors. These stamps could be used to pay inland postage only – postage for mail to other countries had to be paid in advance, in cash.

The first postboxes were erected in the Cape on 8 June 1860. To this day, one of these postboxes can be used in Worcester Street, Grahamstown. It was manufactured in 1857 by Smith & Hawkes in Birmingham, Great Britain.

The railroad track from Cape Town to Wellington was completed by 1862 and shortly afterwards, mail was transported here by train. The mail train was commissioned in 1883. Railroad coaches specially equipped for this purpose acted as mobile post offices between Cape Town and Hutchinson, where the railroad ended at the time. Until 1950 this service was offered in the remote areas of South Africa.

1900–1945

The first steam ships were commissioned in 1925 and covered the distance between England and the Cape in 58 days. The Union Castle Steamship Company was founded in 1900, handling the conveyance of mail to Britain until 1977. The surface mail contract between South Africa and the Union Castle Steamship Company, which for a century ensured a weekly dispatch of mail between Cape Town and Southampton, lapsed at the end of September 1977. From 1 October 1977 mail was transported only by container ships and aeroplanes.

Mail was transported by motor car for the first time in 1911. The first time that mail was transported by air, was between Kenilworth and Muizenberg, and in fact it took the form of a novelty and was not a serious attempt at introducing an air-mail service. This service was introduced on a regular basis in 1929. The first overseas airmail service was introduced in 1932. The Springbok Air Service between the Union of South Africa and Britain began to operate during 1945. An air-mail parcel service was introduced simultaneously.

1967

The first mail-sorting machine was installed in Pretoria in 1967. This was the result of a study started in the Johannesburg office in 1963 to compare the cost of manual and automatic sorting of mail. The mail-sorting machine was commissioned in 1968, and that was also the year when the office was made financially independent.

1994/95

This was the year of the first democratic elections in South Africa, and the SA Post Office issued a set of stamps with peace as a theme. South Africa is readmitted to the Universal Postal Union due to the end of apartheid.

In March 1994, "Track and Trace" was introduced. Each mail article and parcel gets a unique bar-coded label which is scanned at each point where the article is handled. Customers can now trace where their mail items are in the postal chain. The first Postpoint, a post office within a host business, opened in the Moreleta Park Pharmacy in Pretoria on 1 August 1994.

1995/96

The first retail postal agency (RPA) was opened in Bloemfontein in August 1995. Retail postal agencies are third party businesses that are appointed to offer a postal service when postal activities are too low to justify a fully-fledged post office branch. The business owner is paid for each transaction he or she does on behalf of the SA Post Office.

By the end of 1995 the Witwatersrand mail sorting activities were moved into the Witspos mail centre in Ormonde, Johannesburg. The largest mail centre in the Southern hemisphere, it made possible the elimination of many processes, since mail processing is now done on one level.

1996/97

The post office administrations of the former 'independent homelands' (Transkei, Bophuthatswana, Venda and Ciskei) were incorporated into the SA Post Office.

2002/03

A world first for the SA Post Office, as South African President Thabo Mbeki electronically signs the Electronic Communication and Transaction Act into law. This was the first Act in the world to be signed into law by an electronic signature. The signing was enabled using the SA Post Office authentication service. The Act defines the SA Post Office as the "preferred authentication service provider" of identification procedures necessary for the issuing of advanced electronic signatures.

2003/04

The SA Post Office launches its "Paymaster to the Nation" project. In terms of this project, recipients of social grants can open a Postbank account. The bank card contains a chip with the beneficiary's photo, digital signature and fingerprints encoded on it. His or her social grant is now paid into the Postbank account, eliminating the need to queue on payout days. This gives grant recipients the freedom to withdraw their grants when it suits them – at any post office branch, without any transaction charges, or at the ATM of any Saswitch-linked bank. Every social pensioner can now enjoy the status and confidence that a bank account brings.

2004/05

The SA Post Office posts the first operating profit in its history. This was achieved without any negative effect on its universal service obligations. During this year, the SA Post Office also won an international award for its "Paymaster to the Nation" project. It also won the World Mail Award in the security category for its campaign to promote ethical conduct among its employees.

2005/06

Postbank, the SA Post Office's banking division, takes the lead with Mzansi accounts. Postbank currently has more Mzansi account holders than any other bank, including the Big Four. This is attributed to Postbank's unrivalled coverage – every post office branch is a Postbank, and there are more than 1,400 post office branches all over South Africa. Mzansi accounts are designed especially for the unbanked.

2006/07

Postbank improves its lead with Mzansi accounts to 40% of the total market. The SA Post Office issues a miniature sheet of stamps to commemorate the handover of the Soccer World Cup from Germany to South Africa, where the next Soccer World Cup will be hosted in 2010. The design features a wild dog, Africa's most endangered predator, and was designed by a final-year graphic art student. The annual Congress of Commonwealth Postal Administrators is held in South Africa for the first time in history.

2007/08

Phutuma Nathi, MultiChoice's share offer, is done using the SA Post Office as an outlet for application. This share offer was so popular that it was three times oversubscribed and more than 125,000 citizens participated in the scheme. By offering outlets in practically every village, town and city, the SA Post Office allowed rural South Africans to participate in this scheme on an equal footing with urbanites. CTF (Certifying Top Performers) in conjunction with Accenture names the SA Post Office as one of the top 25 best employers in South Africa.

2008/09

The SA Post Office joins the rest of the world in July 2008 in celebrating the 90th birthday of former President Nelson Mandela by issuing two miniature sheets of stamps. The photo on the postage stamp for domestic postage was taken by Halden Krog while the stamp for international small letters used a painting by Cyril Coetzee. With denominations for both domestic and small international letters available, it was possible to send South African birthday wishes for Madiba throughout the world. These items immediately turned into collectors' items.

Sasol and Vodacom chose the SA Post Office as a vehicle for their Broad-based Black Economic Empowerment (BBBEE) transactions.

2009/10

Building on its strategic theme of becoming government's preferred partner for the delivery of services, the SA Post Office introduced its facility for the renewal of motor vehicle licences to the Gauteng province. This service was so successful that it was expanded to more post offices within seven months of the launch. 2009 also saw the SA Post Office deploy a strategy to reduce the impact of its business activities on the environment. The company planted a total of 857 trees at schools in the year ended 31 March 2010 to offset carbon emissions and introduced various energy saving measures. Postbank became a partner in the Climate Change Leadership Awards. The awards recognise individuals, communities and businesses that are taking a leading role in the fight against climate change. The SA Post Office successfully handles the applications for SA Breweries' Zenzele share scheme during this financial year.

2010/11

During 2010, Postbank celebrates its centenary as a savings bank and quite appropriately, legislation is promulgated that will enable the organisation to change from a deposit-taking institution to a fully-fledged bank. The SA Post Office consolidates its mandate as a service delivery channel for Government: A good example is the facility to renew motor vehicle licences at post offices. More than two million South Africans used this facility during the year. During this financial year, the SA Post Office is again chosen as application channel for a share scheme, this time by MTN for its Zakhele scheme.

From the beginning of 2018, the Post Office and Postbank began an era of partnership with the South African Social Security Agency (SASSA) for the onboarding of new social grant recipients, and the issuing of new bank cards to beneficiaries. The task is enormous. Roughly 17 million South Africans receive social grants.

2012

The SA Post Office dips a toe in the electronic waters by launching the virtual post office, which enables users their

complete certain transactions without visiting a physical post office branch. The SA Post Office later expanded its electronic offerings to include transactions such as customs declarations for foreign parcels.

2013

Following accreditation under the Electronic Communication and Transaction Act, the SA Post Office Trust Centre is launched. Through its digital certificates and public key infrastructure, the Trust Centre can authenticate users of electronic devices and ensure the users are who they say they are; validate the transaction to ensure non-repudiation; protect messages from tampering; encrypt messages to protect the message from unauthorised access; and make it possible for users to digitally sign transactions and communications to authenticate code, data messages and documents.

2014

After three years of protracted strikes, the SA Post Office records record financial losses and its board of directors resign. The entity is placed under administration until 2015, when a new board of directors is appointed.

2016

The SA Post Office launches eRegistered mail, an electronic mail product which has the same legal standing as paper-based registered mail. Also during the year, the company launches an app for smartphones which customers can use to track parcels and find the post office branches nearest to their location.

2017

The facility where motor vehicle owners can renew their motor vehicle licences at certain Post Office branches is extended to the Northern Cape. The facility gives vehicle owners longer hours for licence renewal and is a huge success – nationally, around 3 million motor vehicle licences are renewed at Post Office branches annually.

2018

The SA Post Office begins a partnership with the South African Social Security Agency (Sassa) for the onboarding of new social grant recipients, and the issuing of new bank cards to beneficiaries. By the end of 2018, almost 8 million people who receive social grants had chosen the Sassa card issued by Postbank – for obvious reasons. They receive one cash withdrawal per month and unlimited card swipes to pay for shopping at merchants without having to pay a cent in bank charges.

2019

Changes in legislation turn Postbank into a subsidiary of the SA Post Office with its own assets, board of directors and balance sheet – a requirement to qualify for a banking licence. Until that day Postbank operated as a division of the SA Post Office.

The SA Post Office cooperated with the Independent Electoral Commission to verify the addresses of citizens on the voters' roll, even those in informal settlements. The SA Post Office helped to ensure that all South Africans could exercise their democratic right to vote.

The payment of motor vehicle licences becomes available at selected post offices in Mpumalanga. The only province in SA where car licences cannot be paid, is the Western Cape.

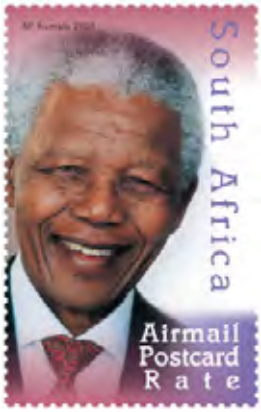
2020

The Covid-19 pandemic spreads worldwide, and in South Africa the SA Post Office pays out the Covid relief grant to an average of two million of citizens per month. During 2020 post offices turned into beacons of hope for South Africans who had lost their income to the pandemic.

2021

South Africa switching to digital broadcasting which means that older television sets will no longer work, unless they are connected to a digital decoder. The SA Post Office handles the registration of five million qualifying households for subsidised decoders, and also handles the issuing of decoders, aerials and satellite dishes to installers. The goal for switching to digital broadcasting is March 2022.

The SA Post Office concludes partnerships with Wish.com and Mail Americas. Delivery timeframes are faster by 50%, turning the entity into a fully-fledged role player in eCommerce.

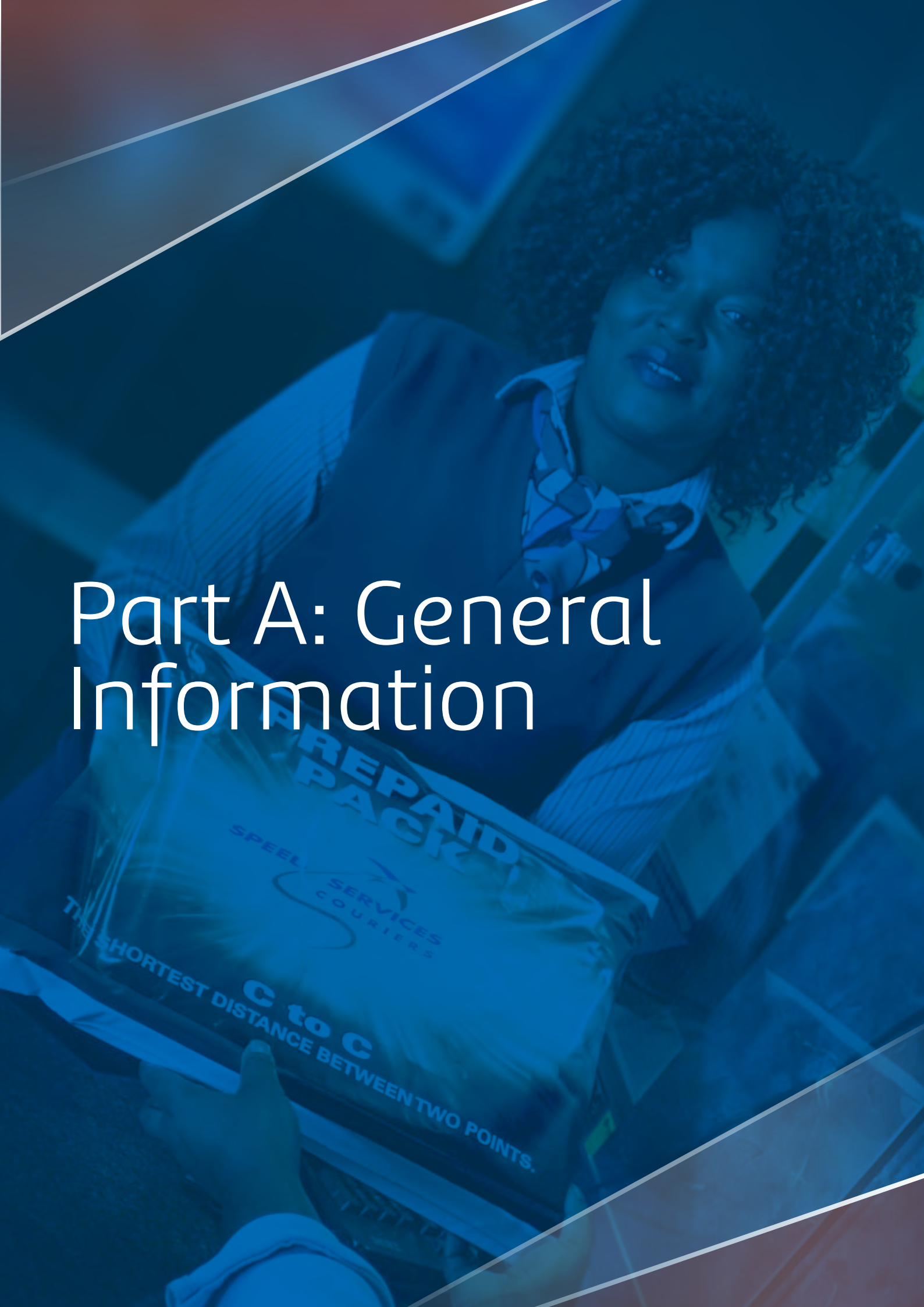


> “What counts in life is not the mere fact that we have lived. It is what difference we have made to the lives of others that will determine the significance of the life we lead.”

Nelson Mandela

Source of Nelson Mandela quote: Ninetieth Birthday Celebration of Walter Sisulu, Walter Sisulu Hall, Randburg, Johannesburg, South Africa, 18 May 2002.

Part A: General Information



General Information

Registered name	**South African Post Office SOC (Limited)**
Registration number	**1991/005477/30**
Registered office address	**497 Jeff Masemola Street, Pretoria, 0001**
Postal address	**PO Box 10 000, Pretoria, 0001**
Contact telephone number	**(012) 407 7000**
Email address	**customer.service@postoffice.co.za**
Website address	**www.postoffice.co.za**
External auditors information	**Auditor-General of South Africa**
Banker's information	**Standard Bank South Africa**
Company Secretary	**Mr Dawood Dada, (ACIS)**

About this report

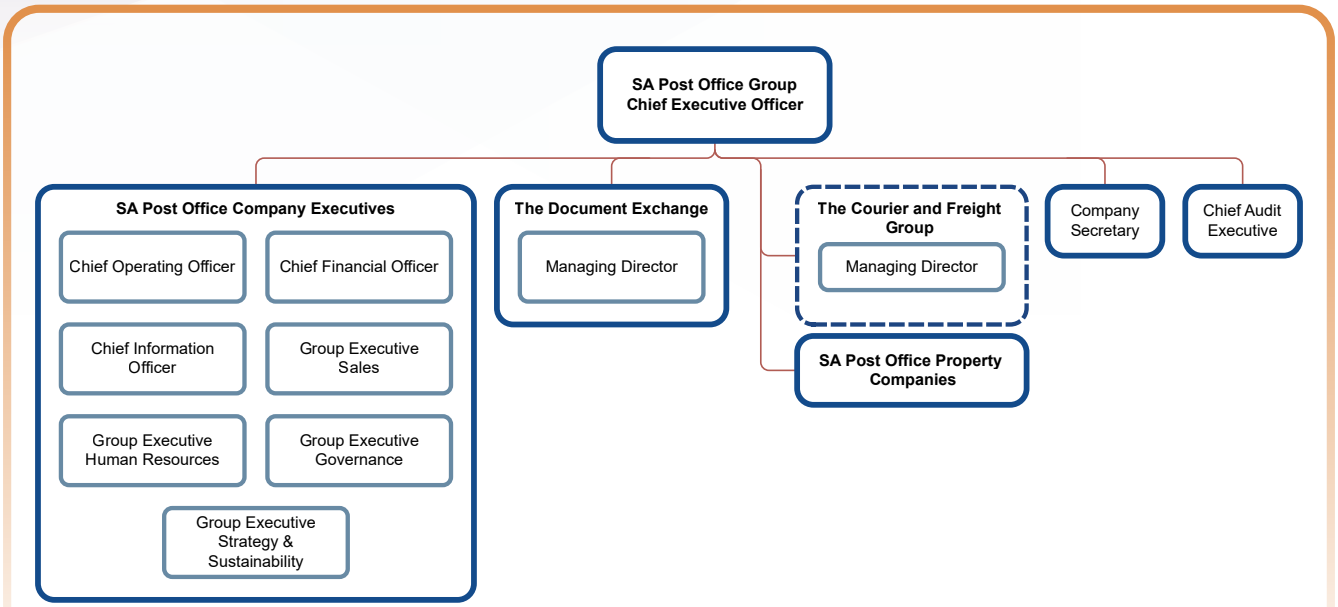
THIS ANNUAL REPORT PRESENTS SA POST OFFICE'S OPERATING AND FINANCIAL PERFORMANCE FOR THE YEAR 1 APRIL 2020 TO 31 MARCH 2021. IT INTEGRATES SUSTAINABILITY OUTCOMES OF INTEREST TO SA POST OFFICE STAKEHOLDERS.

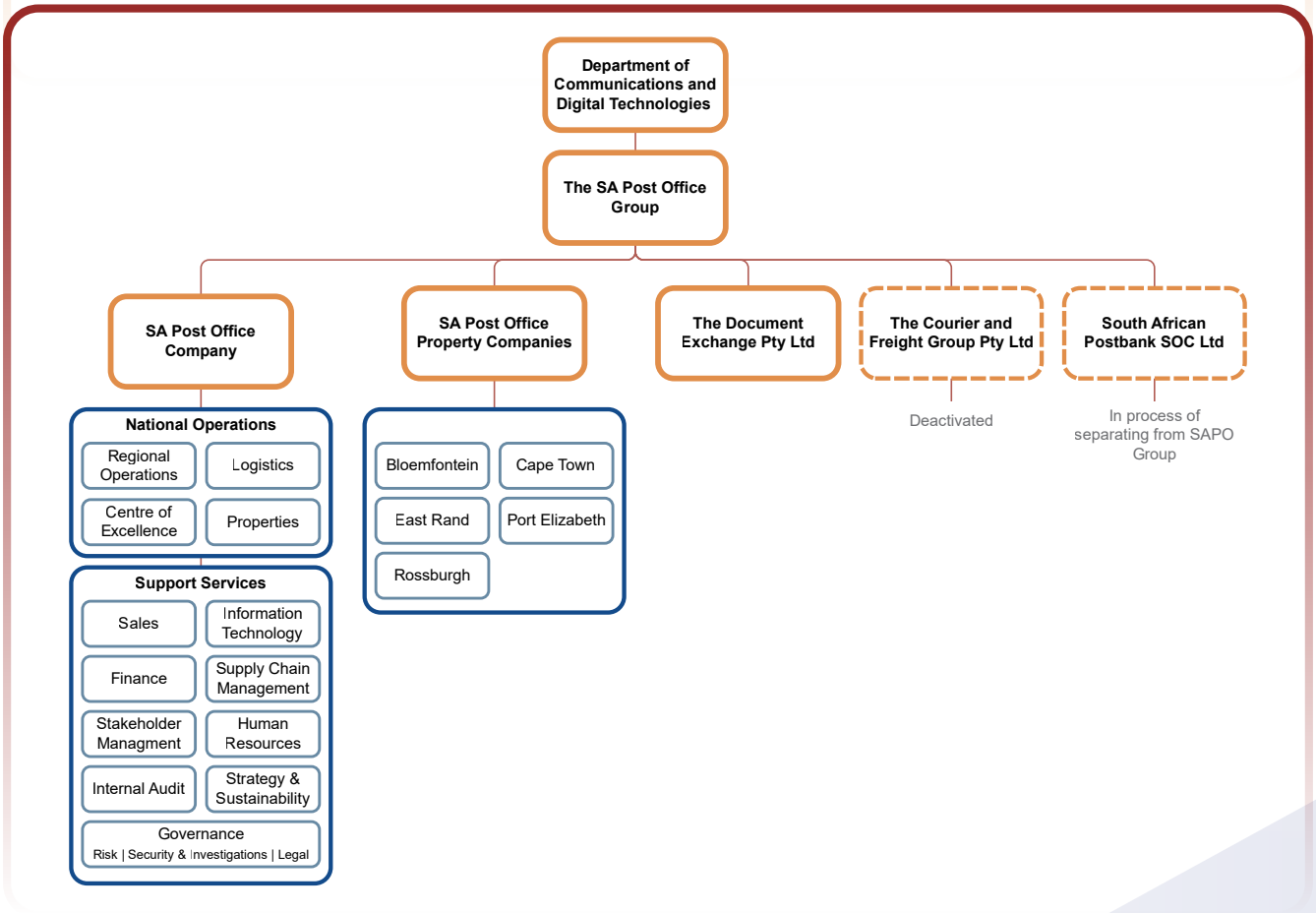
List of Abbreviations and Acronyms

AARTO	The Administrative Adjudication of Road Traffic Offences
BEC	Bid Evaluation Committee
BoD	Board of Directors
BOT	Build Operate Transfer
BUs	Business Units
CCPA	Conference of Commonwealth Postal Administrations
CENTRIQ	Centriq Insurance Innovation (Pty) Ltd
CEO	Chief Executive Officer
CFG	The Courier and Freight Group (Pty) Ltd
CFO	Chief Financial Officer
CIT	Cash in Transit
CIO	Chief Information Officer
CPP	Cash Pay Points
CRASA	Communications Regulators' Association of Southern Africa
CSI	Corporate Social Investment
COO	Chief Operations Officer
DAFF	Department of Agriculture, Forestry
DOCEX	The Document Exchange (Pty) Ltd
DCDT	Department of Communications and Digital Technologies
DOA	Delegation of Authority
DRM	Disaster Risk Management
DTH	Direct to Home
DTT	Digital Terrestrial Television
EAP	Enterprise Application Platform
EBDN	Electronic Bulk Mail Delivery Note
ERP	Enterprise Risk Plan
ESS	Employee Satisfaction Survey
EWT	Endangered Wildlife Trust
FAIS	Financial Advisory & Intermediary Services
FICA	Financial Intelligence Centre Act 38 of 2001 (as amended)
FIC	Financial Intelligence Centre
FMC	Financial Misconduct Committee
FSB	Financial Services Board
FRA	Forward Rate Agreed
FY	Financial Year
GIS	Geographic Information System
GPC	Government Private Cloud
ICASA	The Independent Communications Authority of South Africa
ICT	Information and Communications Technology
IDTV	Integrated Digital Television
IFRS	International Financial Reporting Standards
IGPS	Integrated Grant Payment System
IPS	International Postal System
IT	Information Technology
KING IV	The King Report on Corporate Governance IV
KPIs	Key Performance Indicators
MCP	Mail Collection Point

MD	Managing Director
MTEF	Medium-term Expenditure Framework
MVL	Motor Vehicle License
NCD	Negotiable Certificates of Deposits
NCOP	National Council of Provinces
NPS	National Payment System
OHS/ OHSA	Occupational Health and Safety Act
PAA	Public Audit Act, No 25 of 2004
PAPU	The Pan African Postal Union
PFMA	Public Finance Management Act, No. 1 of 1999 (as amended)
PPE	Personal Protective Equipment
PPTE's	Permanent Part-Time Employees
POD	Proof Of Delivery
POS	Point of Sale
PTC	Postal Technology Centre
POW	Programmes of Works
PRMA	Post-Retirement Medical Aid
QoS	Quality of Service
RDMS	Retail Document Management System
REMS	Risk Evaluation and Mitigation Strategy
RFQ	Request for Quotation
RPA	Retail Postal Agency
SAAF	South African Air Force
SAC	Stamp Advisory Committee
SADC	Southern African Development Community
SAPOA	Southern African Postal Operators Association
SAPO	South African Post Office
SARB	South African Reserve Bank
SARS	South African Revenue Service
SASSA	South African Social Security Agency
SCM	Supply Chain management
SDA	Social Disbursement Accounts
SDGs	Sustainable Development Goals
SFTP	Secure File Transfer Protocol
SITA	State Information Technology Agency SOC Ltd
SLA	Service Level Agreement
SMMEs	Small, Medium and Micro Enterprises
SOC	State-owned Company
SOE	State Owned Entity
SRD	Social Relief of Distress
STB	Set Top Boxes
STP	Strategic Turnaround Plan
The SA Post Office	The South African Post Office (SOC) Limited
The SA Post Office Act	The South African Post Office Act No. 22 of 2011 (as amended)
TVBC	Transkei, Venda, Bophuthatswana and Ciskei
UIF	Unemployment Insurance Fund
UPU	Universal Postal Union
USAASA	Universal Service and Access Agency of South Africa
USO	Universal Service Obligation

Organisational Structure





Foreword by Acting Deputy Chairperson

Whilst the SA Post Office has experienced a challenging and tumultuous year, it has remained steadfastly committed to deliver on its mandate.

The 2020/21 annual report as presented to all our stakeholders is representative of the journey of the South African Post Office.

KEY CONSIDERATIONS DURING THE FINANCIAL YEAR

South African Economy

The global economic effects of the Covid-19 pandemic have been far-reaching and will likely be long-lasting.

The Covid-19 pandemic had a severe effect on the South African economy during the financial year under review. A wide-ranging lockdown was announced in the country to combat the spread of the Covid-19 virus and only essential services were allowed for some time.

The COVID-19 pandemic and the subsequent lockdown resulted in a complete shutdown in SA Post Office's business activities with extremely low revenue levels from quarter one of the 2020/2021 financial year continuing through the financial year, severely impacting service delivery standards and organisational capacity.

Covid-19

In response to the Covid-19 threat, the Covid-19 Steerco was constituted, with the Chief Risk Officer as the chairperson and Executives from various business units also forming part of the Committee so as to ensure representation across the organisation. Similar structures have been replicated at regional level reporting into the main Steering Committee.

Regular Covid-19 Steerco meetings were held and monthly meetings with regional representation and Organised Labour. A checklist based on the SA Post Office Pandemic Management Business Continuity Plan (BCP) as well as Circular no 07 of 2020 issued by Department of Public Service and Administration, guidelines for the containment/management of the CORONA Virus (COVID -19) in the public service was developed and actioned.

The procurement of Personal Protective Equipment (PPE) and sanitisers has persisted to be high risk particularly when considering funding and cash flow challenges experienced within the SA Post Office. The costs incurred for PPEs, sanitiser and decontamination of sites were not budgeted for, however required and implemented, to ensure we minimised the spread of the pandemic.

As at 31 March 2021, the SA Post Office had 1 313 confirmed Covid-19 cases, 1 250 recoveries, 19 active Covid-19 cases and 44 Covid-19 related fatalities, with a recovery rate of 95.2%

The Covid-19 pandemic has compelled businesses to adapt their business models to ensure continuity and has consequently forced an increased rate of digital migration away from traditional delivery models. Whilst the SA Post Office has commenced with its digital transformation programme, the rate of digital transformation of the SA Post Office has lagged and has not been at a rate sufficient to absorb the impact of the Covid-19 pandemic and the resultant rate on digital migration of customers and the resultant drop in volumes and revenues.

Leadership Stability

The SA Post Office had numerous leadership vacancies during the financial year. The appointment of the new CEO on 1 April 2021 has brought much needed stability and vision

"The SA Post Office has once again undoubtedly demonstrated that it is able to deliver Government services to all South Africans by leveraging its unsurpassed network."

to the organisation.

The positions of Chief Operating Officer and Chief Financial Officer have remained vacant whilst the position of Chief Information Officer became vacant due to demise, with the position of Chief Audit Executive also becoming vacant due to retirement.

During the period under review, five members of the Board of Directors resigned, including the Chairperson of the Board of Directors. New incoming members have been appointed by the Minister of Communications and Digital Technologies.

The position of Chairperson of the Board of Directors is currently performed by Ms Tia van der Sandt in an acting capacity. The Board of Directors aims to consult with the Shareholder on filling the vacant positions.

Unsustainable Cost Base

The SA Post Office cost base has continued to rise, notwithstanding declining mail volumes and the increased rate of digital migration forced by the Covid-19 pandemic.

The above is contrasted with the requirement of the Universal Service Obligation (USO) which requires that the SA Post Office provides all citizens with reasonable access to postal and related services, regardless of whether it is economically viable in areas and/or locations to provide such services.

Urgent attention is thus required in developing a sustainable operating model, supported by the required capital investment, business modernisation and workforce requirements. Under the leadership of the newly appointed CEO, work in addressing these challenges has progressed well.

Postbank Corporatisation

The separation of Postbank from the SA Post Office came into effect on 1 April 2019. The SA Post Office remains committed to ensuring a smooth transition of Postbank, however it has become necessary to assess the strategic and financial impact of the separation on the SA Post Office.

International trends indicate a greater emphasis is placed by postal operators on financial services to augment declining postal volumes and revenues.

The loss of the Postbank assets and extent of financial services business has had a significant impact on the financial sustainability of the SA Post Office.

To date, no compensation for the separation has been received with Postbank, which prior to the April 2019 separation, operating as a division of the SA Post Office and was considered a strategic asset to the attainment of the postal mandate and financial inclusion.

KEY SUCCESSES DURING THE FINANCIAL YEAR

Social Grants

The payments of social grants is a project of national importance and continued at the SA Post Office branches during the financial year, notwithstanding the Covid-19 level 5 lockdown.

The SA Post Office also extended this service to assist with the payment of Special Relief of Distress (SRD) grants, a grant introduced by the SA Government to offer relief to South Africans worst affected by the Covid-19 pandemic and associated economic downturn.

Payment of the SRD grants commenced during June 2020 and continued during the financial year. During March 2021, more than two million SRD beneficiaries were paid at SA Post Office branches in addition to normal transactions performed daily. The payment of SRD grants by the SA Post Office has been extended to February 2022.

The SA Post Office has once again undoubtedly demonstrated that it is able to deliver Government services to all South Africans by leveraging its unsurpassed network.

Motor Vehicle Licences

The facility that allows for the payment and renewal of motor vehicle licences at certain SA Post Office branches has continued to be a strong revenue line and following the initial Level 5 lockdown period, revenue from the renewal of motor vehicle licences has performed strongly, exceeding budget. The service is currently provided in all provinces with the exception of the Western Cape.

The renewal service is currently under threat by new entrants, which includes financial institutions and other online offerings.

Sub 1kg Parcels

The ruling by ICASA that the SA Post Office is the only

licensed provider of reserved postal services and therefore the only institution which may deliver packages which weigh 1kg and less, has been welcomed.

Governance

The SA Post Office has continued to improve mechanisms of governance. Key to this was the monitoring and oversight by the Board of Directors, Audit and Risk Committee, Human Resource, Remuneration, Transformation and Performance Committee and the IT Governance, Strategic Turnaround and Procurement Committee.

The concerns with regards to irregular - and fruitless and wasteful expenditure have been noted and remedial steps are underway.

LOOKING BEYOND THIS YEAR

Strategic Direction

In order for the SA Post Office to be a trusted exchange channel of service delivery in South Africa, respected for its relevance, reliability, reach and resilience, a sustainable strategy focusing on its operating model, capital investment requirements, modernisation, digitalisation and revenue lines is required.

During October 2021, the Post Office of Tomorrow strategy has been developed and approved under the guidance of the Minister and Deputy Minister of Communications and Digital Technologies, Ms. Khumbudzo Ntshavheni and Mr. Philly Mapulane, Board of Directors and Management.

Future Products

ECommerce

The SA Post Office has concluded partnerships with the online stores Wish.com, Mail Americas, Signature Mail from Singapore as well as CNE and ICE from China. The SA Post Office is the exclusive delivery agent for these businesses in South Africa.

Logistics and Warehousing Services

Reestablishment and consolidation of the current courier and parcel business to provide the market with a full range of Logistics services (express, courier, freight and international) together with Warehousing capabilities.

Trust Centre Services

Due to advancements in technology and a growing market for cybersecurity services, the SA Post Office is in the process of modernising its Trust Centre to provide the market with secure Government-backed Digital Identities.

Digital Services Hub

Comprising of business – and internet services and community hubs, providing access to a wide range of government and related services.

Government Services

Looking to the future, the SA Post Office wishes to expand its service offering to all spheres of Government, as has been demonstrated by the successes in the payment of SASSA and SRD grants.

As a State Owned Entity, the SA Post Office believes it is to be at the forefront of service delivery to all citizens of South Africa.

IN CLOSING

I am grateful to the Minister Ms. Khumbudzo Ntshavheni and Deputy Minister Mr. Philly Mapulane, the Department of Communications and Digital Technologies led by the Acting Director-General Ms. Nonkqubela Jordan-Dyani, Executive Management, Staff and all other stakeholders of the SA Post Office for their dedication in service to the people of South Africa.

I am indebted to my fellow board members, who have rigorously engaged with matters and issues thereby providing the best oversight and leadership to Executives. I am also thankful to the Group CEO, Ms Nomkhita Mona, for the vision and leadership she has shown since her appointment.

Although the SA Post Office currently faces significant sustainability challenges, I am confident that with the strategic direction set by the Post Office of Tomorrow that a sustainable SA Post Office is attainable, respected for its relevance, reliability, reach and resilience.

Sipho Mojombozi

Acting Deputy Chairperson

Chief Executive Officer's Overview

The SA Post Office is a state-owned organisation contributing to South Africa's social and state developmental goals by providing postal, logistics, financial, and Government services via its postal network.

Deriving its mandate from the Postal Universal Service Obligation (USO), the SA Post Office affords all citizens access to basic communication and financial services at acceptable quality standards and affordable rates, regardless of geographical location. Within this context, the postal network is a strategic contributor ensuring economic inclusion, improving living standards, reducing inequality and alleviating poverty.

I joined the South African Post Office on 1 April 2021 with the entity being at a crossroads, as with most postal operators worldwide.

Postal operators have traditionally based their financial sustainability on high volumes of letter mail items, however these letter mail items have steadily decreased with the advent and increased adoption of digital alternatives. In South Africa the migration to digital alternatives was greatly accelerated by the Covid-19 pandemic when no postal services were rendered during certain prescribed levels of lockdown. Contrastingly, the Covid-19 worldwide pandemic has contributed to a marked growth in the eCommerce market, driving growth in parcel mail volumes.

Postal operators have also based their financial viability on providing financial services such a money transfers and other related financial services. In South Africa, the SA Post Office has been mandated as agent for the payment of social grants, and continued with payment of grants through its branch network during various levels of lockdown. The provision of financial services by postal operators is also undergoing disruption by financial platforms which enable electronic financial transactions, including electronic payment of accounts, as well as sending and receiving money.

The traditional financial sustainability model which most postal operators and the SA Post Office have followed is thus no longer fit for purpose. This is compounded by the cost of operating the postal network which has continued to rise. Staff costs remains the highest cost driver, followed by security services, mainly relating to securing the disbursement of cash to social grant beneficiaries and then property cost. Low levels of investment have resulted in outdated technologies, buildings falling into disrepair and IT infrastructure failures.

OVERVIEW

During the 2020/21 FY the SA Post Office has operated between a Covid-19 Lockdown level 5 to a Lockdown level 1, severely impacting service delivery standards and organisational capacity as only essential services were allowed for some time. Consequently, revenue performance has been impacted gravely together with a decline in organisational performance.

During 2020/21 there has been a continued mismatch between monthly revenues generated and corresponding operating expenditure, resulting in a deficit to meet monthly financial obligations. The SA Post Office has been severely impacted with a loss of customers and planned revenues due to the effects of the Covid-19 lockdown and the associated business slowdown. The revenue shortfalls have added further pressure to the already constrained cash flow position of SA Post Office and the achievement of the planned strategies in the corporate plan.

The low revenues have further contributed to the non-payment of critical creditors, including contributions to

"The payment of social grants continued notwithstanding the various Covid-19 lockdown levels."

medical aid, pension fund, UIF and SARS.

The annual performance targets were revised downward due to the current trading climate and associated impact of the Covid-19 pandemic. The revised Annual Performance Plan was approved by the Board of Directors on 31 July 2020, and submitted to the DCDT as part of the mid-year Budgets Adjustment process.

A total of 17 Key Performance Indicators (KPIs) were set and measured for the 2020/21 FY, aligned towards attaining the 7 strategic objectives. Performance for 2020/21 FY has been poor when considering only 5 KPIs achieved 100% of the planned revised target or 29% overall achievement.

Together with the approval of the revised Annual Performance Plan for 2020/21, a Strategic Turnaround Plan (STP) was approved by the Board of Directors on 31 July 2020 with inception of revenue recovery and revenue initiatives together with expense initiatives projected to commence during October 2020.

The revised financial targets for the 2020/21FY projected that baseline revenues of R3.2bn will be generated with further revenue recovery of R170m, revenue growth of R351m and cost reduction initiatives of R129m and, the net loss position projected at R1.85bn to March 2021.

Revenue growth initiatives at R351m did not achieve the planned annual target due to the delays in concluding the partnerships. For all partnerships, the procurement process is to be regularised. Revenue recovery of R170m was not achieved with only MVL contributing to the achievement to date.

There has been a decline in the service delivery environment of the SA Post Office due to the effects of Covid-19 combined with the constrained financial position. As at 30 June 2020, the average monthly carryover was at 9.94 million items which has been reduced to 5.07 million items as at 31 March 2021. Clear floor targets have been set to improve delivery standards going forward.

The mail delivery performance as at 31 March 2021 was recorded at 52.95%, below the reduced annual target of 60% by 7.05% and substantially below the ICASA regulated standard of 92%.

The network availability uptime target of 98% for 2020/21 FY has been achieved at 99.37%, with a critical component of the network availability being the completion of the network upgrade. As at 31 March 2021, a total of 1 263 of 1 329 sites have been fully commissioned with new equipment and upgraded connectivity, a 96% achievement of the network upgrade project.

Since the commencement of payment of social grants, crime levels for armed robberies at branches, CIT, vehicle hijacking and business burglaries have escalated from R5.5 million (308 incidents) during 2017/18 to R30 million (458 incidents) during 2018/19 and to R40 million (583 incidents) during the 2019/20. During 2020/21 the crime incidents have increased to unprecedented levels, R92 million (887 incidents).

In view of a lack of substantial investment in security infrastructure upgrades due to cash flow challenges and together with the payment of social grants, SASSA and SRD, the SA Post Office is viewed as a soft target.

The SA Post Office Group headcount reduced to 15 826 as at 31 March 2021, a reduction of 912 employees due to attrition and demise. The SA Post Office extended counseling support to employees during this difficult period whilst simultaneously engaging with employees on various communication platforms. This will continue in the next coming financial year.

Due to the freeze on recruitment, critical vacancies have remained unfilled contributing to the poor organisational performance.

GOVERNMENT SERVICE DELIVERY

As the payment of social grants has been declared an essential service, the payment of social grants continued notwithstanding the various Covid-19 lockdown levels.

The total number of social grant beneficiaries paid through SA Post Office/Postbank are at 7.9 million beneficiaries as at the end of March 2021. The number of routes for Cash Pay-Points (CPPs) were at 729 delivery routes and a total of 1 621 pay points were serviced as at the end of March 2021. The number of beneficiaries receiving social grant at CPPs as at 31 March 2021 is at 180 139 beneficiaries. The SLA for the payment of SASSA grants has showed improvement from 71% during 2020 to 86% during 2021.

During June 2020, the SA Post Office commenced with the payment of the Covid-19 Special Relief of Distress (SRD) grant payments of R350. The payment continued during

March 2021 with a total of 2 070 132 beneficiaries paid during March 2021 with a disbursement value of R1.04 billion for March 2021. The payment of SRD grants by the SA Post Office has been extended to February 2022.

Whilst the payment of the SRD grants has provided a much needed additional revenue line, the impact that the SRD queues has had on traditional business revenue lines has not been quantified and there is an under recovery of costs particularly when viewed from the increased crime related financial losses incurred.

Performance on the Broadcasting Digital Migration (BDM) has been slow with a total of 1 161 591 qualifying needy households registered as at 31 March 2021 and a total of 598 409 Set Top Boxes (STBs) distributed.

SA Post Office branches in eight provinces enable motorists to renew their vehicle licences. Currently the service is not available in the Western Cape, however we are working toward the service being made available in the province, together with an online offering.

POSTBANK CORPORATISATION

The separation of Postbank from the SA Post Office came into effect on 1 April 2019. The SA Post Office remains committed to ensuring a smooth transition of Postbank, however it has become necessary to assess the strategic and financial impact of the separation on the SA Post Office.

POST OFFICE OF TOMORROW

During October 2021, the Post Office of Tomorrow strategy was developed under the guidance of the Minister and Deputy Minister of Communications and Digital Technologies, Ms. Khumbudzo Ntshavheni and Mr. Philly Mapulane and the SA Post Office Board of Directors.

The Post Office of Tomorrow strategy aims to lead the organisation's turnaround and return to financial sustainability and organisational stability.

The SA Post Office of Tomorrow strategy revises the strategic role of the SA Post Office from a conveyor of letter mail to an integrated infrastructure service provider which seeks to:

- Contribute to the development of local economies in under-serviced communities, rural and outlying areas;
- Strengthen the business sectors within communities; and,
- Ensure the economic inclusion of vulnerable individuals and lower-income households.

These strategic outcomes require fundamental changes to the SA Post Office business model. Firstly, optimising the organisation's product and services portfolio includes launching a comprehensive Logistics & Warehousing capability. Secondly, the modernisation of the Postal and Financial business segments enhances the Universal Service Obligation service delivery standards. Thirdly, Digital Identity services will be relaunched through the Trust Centre upgrade. Additionally, a digital services hub will be launched at Post Offices. The Post Office of Tomorrow strategy will bring resilience in a changing operational environment whilst the re-skilling of staff will ensure improved organisational performance. Substantial investment in technology infrastructure will be required to support the Post Office of Tomorrow strategy.

GOVERNANCE

We have noted the concerns expressed by the Auditor General regarding irregular - and fruitless and wasteful expenditure, together with the lack of consequence management implemented during the period under review.

The Financial Misconduct Committee has been reconstituted and a process of reviewing instances of irregular - and fruitless and wasteful expenditure has commenced. Where required, consequence management will be implemented.

CRITICAL STAKEHOLDERS

The path which lies ahead of the SA Post Office is not an easy one, however the strategic direction has been set and difficult actions now need to be implemented.

We cannot achieve this alone. I am therefore thankful for the support and guidance provided by Minister Khumbudzo Ntshavheni and Deputy Minister Philly Mapulane, the Department of Communications and Digital Technologies led by the Acting Director-General Ms. Nonkqubela Jordan-Dyani, the Board of Directors of the SA Post Office, Executive Management and most importantly the SA Post Office employees.

I am humbled by the relentless dedication and work during challenging conditions by SA Post Office employees, thank you. I look forward to your continued service to the people of South Africa.

Nomkhita Mona
Chief Executive Officer

Strategic Overview

Post Office
South Africa

VISION

The Trusted Exchange Channel of Service Delivery in South Africa respected for our Relevance, Reliability, Reach and Resilience.

MISSION

A Reliable and Relevant Service Delivery Channel providing access to Government Services, Enabling Secure Digital and Physical Transactional Services to All.

VALUES

- **Trust**: Confidence in the integrity, reliability and fairness of the SA Post Office by our Customers and Employees.
- **Accountability**: Personal responsibility, honouring Commitments to our Customers and fellow Employees.
- **Innovation**: Transforming new ideas into tangible results.
- **Excellence**: Commitment to being the best and delivering the best.
- **Respect**: Treat Customers and fellow Employees with courtesy, politeness, and kindness.

Legislative and Other Mandates

MANDATE, REGULATION AND LICENSE

The South African Post Office SOC Limited was established on 1 October 1991 as a company in terms of the Companies Act, No. 61 of 1973. The State (Republic of South Africa), represented by the Minister of Communications and Digital Technologies, is the sole Shareholder.

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

The SA Post Office is also a major state entity in terms of Schedule 2 of the PFMA No. 1 of 1999 (as amended).

Regulation

The SA Post Office is mandated to provide postal services in accordance with the Postal Services Act of 1998. This Act provides for the regulation of postal services including its Universal Service Obligations (USO).

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

The SA Post Office is afforded a legislated monopoly over reserved services, and until the 2012/2013 financial year received a government subsidy. The Postal Services Act of 1998 charges the regulator, Independent Communications Authority of South Africa (ICASA), with protecting the provision of the 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 Company is rolling out new addresses and branches in remote areas, in line with the government's developmental programme for 2030. The Postal Services Act further requires ICASA to monitor the incumbent against 'anti-competitive' behaviour.

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, the Financial Intelligence Centre (FIC) and the Financial Services Board (FSB).

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

- SA Post Office Act No. 22 of 2011 (as amended);
- Postbank Act No. 9 of 2010 (as amended);
- Postal Services Act No. 124 of 1998.
- Public Finance Management Act No.1 of 1999 (as amended);
- Companies Act No. 71 of 2008 (as amended);
- Relevant legislation applicable to the postal sector and to SOCs;
- King IV Code on Good Corporate Governance.
- Other relevant local and international codes for the postal sector.

"I stand for simple Justice, equal opportunity and human rights. The indispensable elements in a democratic society and well worth fighting for."

Helen Suzman

Part B: Performance Information

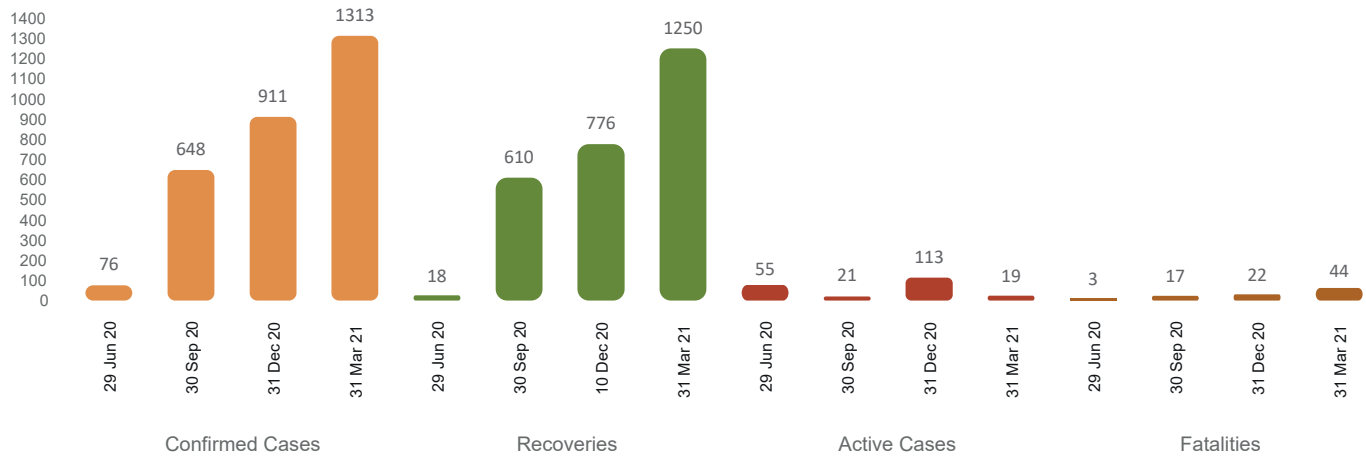
Report on Predetermined Objectives

COVID–19 PANDEMIC

In response to the Covid-19 threat, the Covid-19 Steerco was duly constituted on 23 March 2020, with the Chief Risk Officer as the chairperson with executives from various Business Units (BUs) also forming part of the Committee so as to ensure representation across the organisation. Similar structures have also been replicated at the regional level reporting into the main Steering Committee.

Regular Covid-19 Steerco meetings have been held and monthly meetings with Regional General Managers and Organized Labour have also continued during the 2020/21 FY. A checklist based on the Draft SA Post Office Pandemic management Business Continuity Plan (BCP) as well as Circular no 07 of 2020 issued by Department of Public Service and Administration, guidelines for the containment/ management of the CORONA Virus (COVID -19) in the public service was developed and actioned.The Communication section continued to convey the message of vigilance, compliance to Covid-19 protocols and regulations, and the Covid-19 statistics were shared regularly with employees.

SAPO Covid-19 Cases (Quarterly - 2020/21)



Various employee related matters have been considered by the Covid-19 Steerco, which have been given effect through the relevant human resources structures. Matters include policies and procedures for leave during this period, social distancing, screening, work-from-home, return to work guidelines, training, to ensure regulations and/or changes to protocols were adhered to.

During the 2020/21 FY the SA Post Office has operated between the Covid-19 Lockdown level 5 to a Lockdown level 1, severely impacting service delivery standards and organisational capacity as only essential services were allowed for some time. Consequently revenue performance has been impacted negatively together with a decline in the overall organisational performance. The procurement of Personal Protective Equipment (PPE) and sanitizers has persisted to be high risk particularly when considering funding and cash flow challenges experienced within the SA Post Office. The costs incurred for PPEs, sanitizer and decontamination of sites were not budgeted for, however required and implemented, to ensure we minimised the spread of the pandemic.

The graph above indicates the escalation of Covid-19 cases per quarter. As per the table below, as at 31 March 2021, the SA Post Office had 1 313 confirmed Covid-19 cases, 1 250 recoveries, 19 active Covid-19 cases and 44 Covid-19 related fatalities, with a recovery rate of 95.4%.

SERVICE DELIVERY ENVIRONMENT

The annual performance targets have been revised downward due to the current trading climate and associated impact of the Covid-19 pandemic and trading restrictions of the lockdown regulations. The revised Annual Performance Plan

was approved by the Board of Directors on 31 July 2020, and submitted to the Department as part of the mid-year Budgets Adjustment process.

Together with the approval of the revised Annual Performance Plan for 2020/21, a Strategic Turnaround Plan (STP) was approved by the Board of Directors on 31 July 2020 with implementation of revenue recovery and revenue initiatives together with expense initiatives projected to commence during October 2020. Reporting of the annual performance for 2020/21 FY is in alignment with the revised Annual Performance Plan for 2020/21 FY.

The revised financial targets for the 2020/21FY projected that baseline revenues of R3.2bn will be generated with further revenue recovery of R170m, revenue growth of R351m and cost reduction initiatives of R129m included, the net loss position was projected at R1.85bn to March 2021. The approved STP comprised 10 Programmes of Works (POWs) and a number of initiatives in line with the respective POWs were identified. Revenue growth initiatives at R351m did not achieve the planned annual target due to the delays in concluding the partnerships. For all partnerships, the procurement process is to be regularised. Revenue recovery of R170m was not achieved, with only MVL contributing to the achievement for the year.

During the 2020/21FY there has been a continued mismatch between monthly revenues generated and corresponding operating expenditure, resulting in a deficit to meet our monthly financial obligations. The SA Post Office has been severely impacted with a loss of customers and planned revenues due to the effects of the Covid-19 lockdown and the associated business slowdown. The revenue shortfalls have added further pressure to the already constrained cash flow position of SA Post Office and the achievement of the planned strategies in the corporate plan.

The low revenues have further contributed to the non-payment of critical creditors, including contributions to medical aid, pension fund, UIF and SARS.

There has been an overall decline in the service delivery environment of the SA Post Office due to the effects of Covid-19 combined with the constrained financial position. As at 30 June 2020, the average monthly carryover was at 9.94 million items which has been reduced to 5.07 million items as at 31 March 2021. Clear floor targets have been set to improve delivery standards going forward.

The mail delivery performance as at 31 March 2021 was recorded at 52.95%, below the reduced annual target of 60% by 7.05% and substantially below the ICASA regulated standard of 92%.

The network availability uptime target of 98% for 2020/21 FY has been achieved at 99.37%, as confirmed by the supplier connectivity report. A critical component of the network availability is completion of the network upgrade. As at 31 March 2021, a total of 1 263 of 1 329 sites have been fully commissioned with new equipment and upgraded connectivity to the fibre network, a 96% achievement of the network upgrade project. 66 Sites remain to be completed of which with 34 are workable sites but require alternative solutions and 32 non-workable due to outstanding Landlord Approvals.

The total number of beneficiaries paid through SA Post Office/ Postbank are 7.9m beneficiaries as at the end of March 2021. The number of routes for Cash Pay-Points (CPPs) were at 729 routes and a total of 1 621 pay points were serviced as at the end of March 2021. The number of beneficiaries assisted at CPPs as at 31 March 2021 is at 180 139 beneficiaries.

During June 2020, the SA Post Office commenced with the payment of the Covid-19 Social Relief of Distress (SRD) grant payments of R350. The payment continued during March 2021 with a total of 2 070 132 beneficiaries paid during March 2021 with a disbursement value of R1.04bn.

Performance on the Broadcasting Digital Migration (BDM) has been slow with a total of 1 161 591 qualifying needy households registered as at 31 March 2021 and a total of 598 409 Set Top Boxes (STBs) distributed. The revised BDM model was approved by Cabinet in November 2019, replacing the revised BDM Delivery Model approved by Cabinet during October 2018. The revised BDM model will entail the completion of the following 2 phases:

Phase 1: Completion of STB stock clearance (FS, NC & NW)

Registration and distribution of the 1 405 073 subsidised STB kits purchased by USAASA in the 3 prioritised provinces (Free State, Northern Cape and North West), via the original BDM Delivery Model. SA Post Office will continue with the contracted distribution of the remaining 860 000 STB kits to the 3 prioritised provinces. Any remaining STBs will be distributed in the Limpopo province.

Sentech has been appointed by USAASA as National Project

and Installer Management Agent for the completion of Phase 1 of the rollout (Installation of the remaining 860 000 STBs).

Phase 2: Combined industry-wide participation and direct government subsidisation

Registration of the remaining estimated 3.3 million needy households in preparation of the DTT Voucher distribution process. The completion of the rollout to the remaining registered 3.3 million households via the DTT Voucher model will be administered by the SA Post Office.

SOCIAL RESPONSIBILITY

The SA Post Office supports the development agenda of the SA Government and aims to improve the social, environmental and economic well-being of the community and society within which it operates. During 2020/21 FY, the SA Post Office continued its support of the Nal'ibali programme, a non-profit organisation that has partnered with the SA Post Office to deliver reading material to schools and reading clubs all over South Africa. Nal'ibali provides reading material in the mother language of the area and Nal'ibali supplements are sent to Post Office branches, where partner organisations, members of a school or reading club collect these. Nal'ibali has also developed an attractive display stand for their reading supplements in SA Post Office branches.

ORGANISATIONAL ENVIRONMENT

The SA Post Office Group headcount reduced to 15 826 as at 31 March 2021, a reduction of 912 employees due to attrition and demise. Due to the freeze on recruitment, critical vacancies have remained unfilled contributing to resource and capacity challenges in key areas of the business.

The SA Post Office had numerous leadership vacancies during the 2020/21FY and the appointment of the new CEO on 1 April 2021 brought stability to the organisation. The position of Chief Operating Officer and Chief Financial Officer have remained vacant whilst the position of Chief Information Officer became vacant due to demise, and the position of Chief Audit Executive also became vacant due to retirement. The recruitment process is currently underway for some of the identified critical Executive positions.

During the 2020/21 FY the Chairperson of the Board of Directors retired from her position and was replaced by Ms Tia van der Sandt as the Chairperson of the Board in an acting capacity.

KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

During July 2020, the ICT and Digital Economy Masterplan for South Africa (draft for discussion) was published by the Department of Communication and Digital Technologies (DCDT) and the SA Post Office has provided input and feedback into the document, for consideration.

Legislative amendments to the Postal Services Act (act 124 of 1998) and the SA Post Office SOC Act have been commenced by the DCDT to ensure inclusion of digital services to South Africa.

The section 16 application to register a bank was submitted on 26th June 2017 to the SARB, by the Postbank. Cabinet approved the legislative changes of the Banks Act through the Financial Matters Bill which will now enable Postbank to register as a fully-fledged bank. On 29 March 2019, the Honourable Minister of Communications and Digital Technologies gazetted the transfer of Postbank division from the SA Post Office as at 1 April 2019. The transfer of the Postbank division from the SA Post Office has been completed.

The SA Post Office Corporate Strategy aims to positively impact society by transitioning the organisation into a modern digitally-enabled organisation. As a modern organisation, the SA Post Office will enable customers to transact via a multi-channel platform. Additionally, customers will be able to conduct e-Commerce transactions and send, receive and process financial payments.

The SA Post Office will also enable the storage of customer goods in its national warehousing network and send and receive physical items via a reliable and secure national distribution network. The SA Post Office will also increase access to much-needed government services nationally.

There has been slow progress in achieving Vision 2030. A key impediment has been the onset of the unforeseen Covid-19 pandemic and, as a result, a large portion of Vision 2030 has not been implemented together with the severe cash flow

Progress towards achievement of Impacts and Outcomes

constraints faced by the SA Post Office. Several other matters are further constraining the implementation of the corporate strategy. These matters are to be resolved for the SA Post Office to achieve its modernisation goals timeously. These core challenges include:

1. Acquiring funding to ensure strategic initiatives are fully funded and adequately resourced
2. Reducing fixed costs
3. Eliminating organisational duplications and inefficiencies
4. Up skilling and developing employees
5. Increasing revenue growth and diversification by launching new products, services, and solutions through strategic partnerships
6. Improving customer experience by responding to the real needs of customers
7. Rebuilding the brand to be trusted in the marketplace
8. Enhancing employee engagements at all levels of the organisation

Though these core challenges and the Covid-19 pandemic have constrained the full implementation of Vision 2030, the SA Post Office remains focused on acquiring new customers, particularly within the growing eCommerce market. Furthermore, the SA Post Office has strengthened its motor-vehicle license renewal service by expanding this service to large-fleet customers across the country.

Performance Information

STRATEGIC OUTCOME ORIENTED GOALS

Performance information

Strategic Objectives, Key Performance Indicators planned targets and actual achievements

In establishing the strategic objectives of the SA Post Office in line with Vision 2030, the principles of Relevance, Reliability, Resilience and Reach as identified by the UPU Integrated Index for Postal Development were utilised as guiding principles. The strategic objectives over the 2020/21 FY considered 7 key areas focusing the SA Post Office on setting the foundation towards attaining Vision 2030, ensuring compliance with and in support of the 4IR principles as identified by the UPU.

The seven strategic objectives identified for the Strategic Plan:

- Financial Sustainability
- Optimised Assets and Infrastructure
- Customer and Communities First
- Efficient Systems & Processes
- Digital Transformation
- Culture of Excellence
- Corporate Governance

The annual performance targets have been revised downward due to the current trading climate and impact of the Covid-19 pandemic. The revised Annual Performance

Plan and Strategic Turnaround Plan was approved by the Board of Directors on 31 July 2020, and submitted to the Department as part of the mid-year Budgets Adjustment process. Reporting of the annual performance for 2020/21 FY is in alignment with the revised Annual Performance Plan for 2020/21 FY.

A total of 17 Key Performance Indicators (KPIs) were set and measured for the 2020/21 FY, aligned towards attaining the 7 strategic objectives. Performance for 2020/21 FY has been poor when considering only 5 KPIs achieved 100% of the planned target or 29% overall achievement. A further 3 KPIs achieved at 80%-99% of the planned targets.

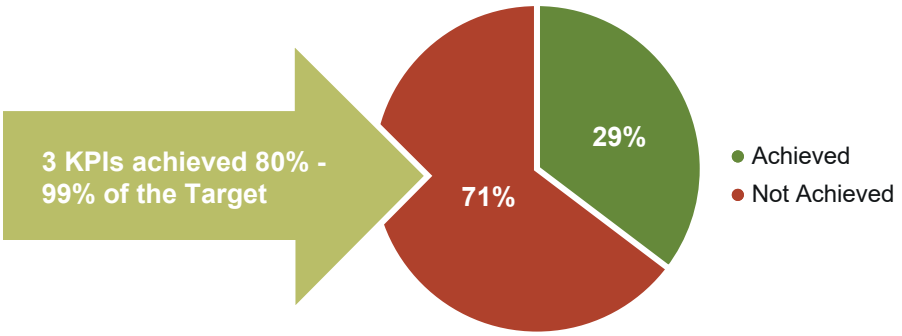
Financial Sustainability

This strategic objective focused on improving the financial position of the SA Post Office by becoming financially sustainable and achieve a positive net financial and cash position. The strategic objective comprised of 6 KPIs, and includes baseline revenue, revenue growth, return on assets, staff cost to revenue ratio, cost to income ratio and cash expense cover.

Of the 6 KPIs, 3 KPIs attained the annual target, with baseline revenue target, return on assets and cost to income ratio achieving their respective annual targets. A further 1 KPI, staff cost to revenue ratio achieved 92% of target.

During 2020/21 there has been a continued mismatch between monthly revenues generated and corresponding operating expenditure, resulting in a deficit to meet monthly financial obligations. The SA Post Office has been severely impacted with a loss of customers and planned revenues due to the effects of the Covid-19 lockdown and the associated business slowdown. The revenue shortfalls have added further pressure to the already constrained cash flow position of SA Post Office and the achievement of the planned strategies in the corporate plan.

The low revenues have further contributed to the non-payment of critical creditors, including contributions to medical aid, pension fund, UIF and SARS.



Strategic Themes	Planned Target	Number Achieved 100%	100% Achievement	Number Achieved 80%-99%
Financial Sustainability	6	3	50%	1
Optimised Assets and Infrastructure	2	0	0%	0
Customer and Communities First	3	1	33%	0
Efficient Systems & Processes	2	1	50%	1
Digital Transformation	2	0	0%	1
Culture of Excellence	1	0	0%	0
Corporate Governance	1	0	0%	0
Total	17	5	29%	3

Optimised Assets and Infrastructure

The objective considered optimising the value of the SA Post Office's assets and owned infrastructure by way of the installation of security upgrades at SA Post Office branches and Mail Centres as well as the restoration and refurbishment of properties, which included critical repairs to Mail Centres and SA Post Office branches.

A review of the security infrastructure upgrade program was undertaken with the objective to prioritise those security measures that would apart from enhancing effective security at branches, bring about reduced costs pertaining to cash-in-transit (CIT) and guarding services. Only 128 of the target of 2 275 installations of security devices were achieved due to the Service provider suspending further deployment due to SA Post Office not fulfilling payment conditions. The project remains critical to the provision of a secure environment for our employees and customers. The project will continue in the 2021/22 FY as a Corporate KPI.

The initial annual target for the restoration and refurbishment of 379 properties was amended to 14 critical sites in line with the EXCO reprioritisation that was undertaken due to the ongoing financial challenges and funding constraints.

Funding availability is a critical enabler for achieving the annual target for both KPIs, and consequently neither of the KPIs achieved the annual target.

Customers and Communities First

The SA Post Office remains at its core, a Government entity that primarily exists to serve the citizens of South Africa. The SA Post Office has been tasked with a social mandate and will remain committed to delivering much needed services to customers and communities throughout South Africa. In ensuring that the strategic objective is achieved, 3 KPIs were identified and tracked, effective resolution of customer complaints, conducting a customer satisfaction survey and conducting Corporate Social Investment (CSI) Programmes.

The target of 100% resolution of customer complaints recorded at the call centre within 14 days was not attained at 59.7%, for the period 1 April 2020 to 30 November 2020, the first 8 months of the reporting year. The resolution period has been delayed by the effects of the Covid-19 lockdown and compounded by the crash of the Remedy system, on which customer complaints are tracked and monitored, being unavailable for a prolonged period during the 2020/21 FY, from December 2020. Technology is currently stabilising the Remedy system whilst a Call Centre system is being sourced. There has been a substantial decline of 24.3% in the resolution of customer complaints from the achievement of 84% in the prior year.

The customer satisfaction survey was undertaken during the 2020/21 FY which indicated a customer satisfaction level of 33% against a target of 60%. It is a priority to resolve the concerns raised by customers in the survey to effectively address the customer satisfaction level. There has been a significant decline of 22% in the customer satisfaction level from prior year level of 55%.

The target for Corporate Social Investment Programmes has been achieved with the Nal'ibali programme, a non-profit organisation that has partnered with the SA Post Office to deliver reading material to schools and reading clubs all over South Africa. Nal'ibali provides reading material in the mother language of the area and Nal'ibali supplements are sent to SA Post Office branches, where partner organisations, members of a school or reading club come to collect it. Nal'ibali has also developed an attractive display stand for their reading supplements.

Efficient Systems and Processes

The goal of the strategic objective is to attain improved service delivery to all customers by way of achieving the regulated mail standard and ensuring network availability uptime at online SA Post Office branches for customers to transact.

Due to the effects of the Covid-19 pandemic, the regulated mail delivery standard of 92% was revised downwards to a 60% mail delivery standard. Notwithstanding the downward revision of the mail delivery standard, the revised target was not achieved at 53%. Due to the delays in mail processing, backlogs and carry over accumulated during the hard lockdown period, as well as financial challenges with regard to vehicles, the target was not achieved. There has been a substantial decline of 36% in the mail delivery standard from the prior year performance of 89.25%.

The target network availability uptime at online SA Post Office branches at 98% was met at 99.37% network availability uptime.

Digital Transformation

The goal of the strategic objective is to improve the market relevance of the SA Post Office through digital transformation and increased customer access to digital services offered. In considering the strategic objective, 2 KPIs were set comprising of the implementation of both the Enterprise Application Platform and the eCommerce Platform.

Due to funding constraints and procurement challenges, the implementation of the Enterprise Application Platform did not proceed as planned and it was subsequently decided to opt for a cost-effective solution through the SITA/SAPO collaboration initiative.

The implementation of the eCommerce Platform progressed well, achieving 95% of the annual target by utilising a partner to develop the proof of concept. However due to the procurement regularisation required for the Strategic Partnerships, the final implementation of the eCommerce Platform did not proceed. The finalisation of the eCommerce Platform will also be done through the SITA/SAPO collaboration initiative during the 2021/22FY.

The above targets remain critical to the digital transformation of the SA Post office and have been prioritised for implementation during the 2021/22 FY.

Culture of Excellence

The goal of the strategic objective is to improve organisational performance and have engaged and high performing employees. The strategic objective considered 1 KPI by conducting an Employee Satisfaction Survey.

The Employee Satisfaction Survey (ESS) was completed and the target employee satisfaction level of 55% was not achieved at 43% due to a number of outstanding and unresolved labour matters and the ongoing low staff morale, impacting the overall organisational climate. Notwithstanding the unresolved status of matters impacting the employee satisfaction, there has been an improvement in the satisfaction level of 1% from prior year level of 42%.

A critical focus during the 2021/22 FY will be to resolve the outstanding labour matters to ensure the morale and satisfaction level of employees is improved.

Corporate Governance

The goal of the strategic objective is to strengthen organisational governance with well entrenched and consistently applied governance principles in managing the organisation.

The strategic objective considered 1 KPI by way of obtaining an Unqualified Audit Opinion issued by the Auditor General for the 2020/21FY. The target has not been attained with a Disclaimer of Audit Opinion issued by the Auditor General for the period.

Work is continuing with the aim of addressing the outstanding audit matters and improving the audit outcome for the 2021/22 FY.

Objective	Goal	KPI Ref	Key Performance Indicator	Annual Performance				
				Target	Actual	Variance	Achieved/ Not achieved	Performance and Reasons for Target Variance/Deviation
1. Financial Sustainability	To be financially sustainable and achieve a positive net financial and cash position	1.1	Attain baseline revenue target	100%	102%	2%	Achieved	The annual baseline revenue target of R2 364m has been achieved at R2 411m (102%). The achievement is largely due to the downward revision of revenue targets due to the negative impact of the Covid-19 pandemic and subsequent lockdown measures.
		1.2	Attain revenue growth initiative target	100%	74.52%	-25.48%	Not Achieved	The revenue growth target at R1 351m has not been attained at R1 006m (75%). The revenue for the SASSA social grant payments of R968m exceeded target by R163m. The DTT project realised revenues of R13.5m due to delays with appointment of installers and the overall delay in the BDM programme roll-out. The revenue recovery budget of R170m was not achieved, with only R25m for MVL being recorded. The revenue growth initiatives of R351m was not attained, however no benefit was realised due to the procurement process to source strategic partners having to be regularised. This process is given priority in the 2021/22 FY.
		1.3	Improve Profitability (Return on Assets)	-42.30%	-30.56%	11.74%	Achieved	The annual target ROA is at -42.3% and was achieved at -30.56% Notwithstanding the increased net loss position, the target was achieved due to the increased asset value. The asset value increased during the 2020/21 FY from R3.7bn as at 30 April 2020 to R8bn at 31 March 2021.
		1.4	Reduce Staff Cost / Revenue Ratio	98.31%	108.96%	-10.65%	Not Achieved	The annual target Staff Cost/Revenue Ratio of 98.31% has not been achieved at 108.96% a negative variance of 10.65% on target (calculations exclude interest & dividend income and finance cost) The Staff Cost/Revenue Ratio has not been achieved due to low revenue levels, the delay in the implementation of the VSP and the agreement with Labour to implement salary increases. Staff costs remain the highest cost driver for SAPO.

Legend Performance - Achieved / Not Achieved

Not Achieved	Less than 100%	Achieved	Achieved 100%

Objective	Goal	KPI Ref	Key Performance Indicator	Annual Performance				
				Target	Actual	Variance	Achieved/ Not achieved	Performance and Reasons for Target Variance/Deviation
		1.5	Improve Profitability (Reduce Cost to Income Ratio)	164.63%	163.06%	1.57%	Achieved	The annual Cost/Revenue Ratio target of 164.63% has been attained at 163.06%. Notwithstanding the performance having attained the annual target, the target for cost optimisation initiatives has not been attained (calculations exclude interest & dividend income and finance cost) Only R33.2m (15.55%) cost optimisation has been realised for vehicle lease terminations, branch consolidations, network cost reduction and software cost recovery from Postbank during the 2020/21FY.
		1.6	Improve Liquidity (Cash expense cover)	1.00	0.00	-1.00	Not Achieved	The annual Cash Expense Cover target is 1 month cover, however due to the severe revenue impact of the Covid-19 lockdown and associated business slowdown, the target has not been met.
2. Optimised Assets and Infrastructure	Achieve a positive return on assets	2.1	Implement security upgrades and install equipment items at SA Post Office branches and Mail Centres	2 275	128	-2 147	Not Achieved	The annual target of installing 2 275 security devices/ equipment for was not met with 128 installations having taken place for the 2020/21FY due to the Service provider having suspended further deployment due to SA Post Office not fulfilling payment conditions. The Service provider has however indicated that they are willing to continue with deployment on condition a guarantee is provided that payment for deployed devices will be done within 60 days of invoice. This project remains a high priority for implementation in the 2021/22FY.
		2.2	Improve the infrastructure through restoration and refurbishments for the list of identified properties	14	1	-13	Not Achieved	During 2020/21 FY, 1 property was restored / refurbished – Stellenbosch Post Office undertaken by SA Post Office employees. The lack of funds posed a challenge to implement the refurbishment program on the planned sites. Despite not achieving the planned targets for the 2020/21FY, a total of 33 properties were maintained with R13.8 million spent on maintenance and R22.8 million on cleaning of buildings as at the end of the 2020/21FY. A substantial amount of work was conducted in compliance to Covid-19 regulations. This included decontamination of sites, facilitate cleaning by external parties and assist with internal cleaning interventions with regional management.

Objective	Goal	KPI Ref	Key Performance Indicator	Annual Performance				
				Target	Actual	Variance	Achieved/ Not achieved	Performance and Reasons for Target Variance/Deviation
3. Customer and Communities First	Continued service provision in underserviced communities (USO/ Financial / SASSA), Improve customer experience at all point of presence, Enhanced Brand Equity	3.1	Resolution of customer complaints recorded at the call centre within 14 days	100%	59.7%	-40.3%	Not Achieved	The target of 100% resolution of customer complaints within the required 14 days has not been attained for 2020/21FY. The actual performance was recorded at 59.7% for the resolution of customer complaints with 14 days for the period 1 April 2020 to 30 November 2020, the first 8 months of the reporting year. The resolution of complaints has been slow due to the effects of the Covid-19 lockdown and compounded by the Remedy System, on which customer complaints are tracked and monitored, being unavailable for a prolonged period from December 2020. SA Post Office has since stabilised the Remedy system and exploring the upgrade of the Call Centre system to improve the customer service and response times.
		3.2	Improve customer satisfaction level	60%	33.28%	-26.72%	Not Achieved	The Customer Satisfaction Survey was completed and the customer satisfaction level of 33.28% determined. The target of 60% customer satisfaction level was not achieved. A Customer Satisfaction Survey (CSS) was conducted during February and March 2021 by way of placing a link to the survey on the SA Post Office website and notices were placed in branches. It will be required to implement the findings of the CSS to improve customer satisfaction levels.
		3.3	Increase the reach into our communities through Corporate Social Investment programmes	1	1	-	Achieved	The target of 1 CSI programme for 2020/21FY has been achieved with the Nal'ibali programme, a non-profit organisation that has partnered with the SA Post Office to deliver reading material to schools and reading clubs all over South Africa. Nal'ibali provides reading material in the mother language of the area and Nal'ibali supplements are sent to SA Post Office branches, where partner organisations, members of a school or reading club come to collect it. Nal'ibali has also developed an attractive display stand for their reading supplements, which is placed at Post Office branches.

Objective	Goal	KPI Ref	Key Performance Indicator	Annual Performance				
				Target	Actual	Variance	Achieved/ Not achieved	Performance and Reasons for Target Variance/Deviation
4. Efficient Systems & Processes	Improved service delivery to all customers	4.1	Achieve the regulated Mail Delivery standard	60.00%	52.95%	-7.05%	Not Achieved	The annual target of 60% mail delivery standard was not achieved at 52.95%, and also not attaining the regulated mail delivery standard of 92%. The performance of 52.95% is 39.05% below the ICASA regulated standard of 92%. As at 30 June 2020, the average monthly carryover was at 9.94 million items which has been reduced to 5.07 million items as at 31 March 2021. Reasons for the performance deviation include removal of vehicles due to non-payment of suppliers, low volumes and the need for cost efficient transport, lack of tools of trade and closure of operational points due to Covid-19 cases and non-payment of suppliers, staff shortages in critical operational areas. Clear floor targets have been set to improve delivery standards going forward.
		4.2	Maintain network availability uptime at online SA Post Office branches	98.00%	99.37%	1.37%	Achieved	The network availability uptime target of 98% for 2020/21 FY has been achieved at 99.37%, as confirmed by the supplier connectivity report. A critical component of the network availability is completion of the network upgrade. As at 31 March 2021, a total of 1 263 of 1 329 sites have been fully commissioned with new equipment and upgraded connectivity to the fibre network, a 96% achievement of the network upgrade project. 66 sites remain to be completed of which 34 are workable sites but require alternative solutions and 32 non-workable due to outstanding Landlord Approvals.
5. Digital Transformation	Improved Market Relevance through Digital Transformation, increase customer access to digital services	5.1	Enterprise Application Platform Implemented	100%	10%	-90%	Not Achieved	The annual target has not been met with performance only at 10%. Due to financial challenges that SA Post Office is currently experiencing, it was decided to opt for a cost-effective solution by utilising the SITA/SAPO collaboration initiative which will explore and assess the SITA Cloud IDE and DevOps platform to ascertain its capability to assist with the modernisation of the SA Post Office legacy applications.

Objective	Goal	KPI Ref	Key Performance Indicator	Annual Performance				
				Target	Actual	Variance	Achieved/ Not achieved	Performance and Reasons for Target Variance/Deviation
		5.2	eCommerce Platform Implemented	100%	95%	-5%	Not Achieved	The annual target has not been achieved with performance at 95%. The eCommerce Platform formed part of the strategic partnerships identified, however due to the regularisation requirement for the procurement processes followed for the engagement of partnerships, the development of the eCommerce platform has been suspended. Due to financial challenges that SA Post Office is currently experiencing, it was thus decided that it opt for a cost-effective solution by utilising the SITA/SAPO collaboration initiative. As part of the SA Post Office's modernization drive to improve efficiency, SA Post Office will install, host and configure the eCommerce (NOP Commerce) solution on the Government Private Cloud (GPC).
6. Culture of Excellence	Improved Organisational Performance, engaged and high performing employees	6.1	Employee satisfaction assessment	55%	43%	-12%	Not Achieved	The annual target to have an Employee Satisfaction level of 55% has not been achieved at 43%. In order to address the Employee Satisfaction level, implementation of the findings of the Employee Satisfaction Survey (ESS) is being implemented in the 2021/22FY to.
7. Corporate Governance	Strengthened Organisational Governance, entrenched and consistently applied Governance principles in managing the organisation	7.1	Achieve an unqualified Audit Opinion	Unqualified Audit Opinion	Disclaimer of Audit Opinion	Unqualified Audit Opinion	Not Achieved	The target has not been attained with a Disclaimer of Audit Opinion issued by the Auditor General for the period. Work is continuing with the aim of addressing the outstanding audit matters and improving the audit outcome for the 2021/22 FY.

Capital Investment

During the 2020/21 FY a budget of R529 million was made available for capital investment, with an amount of R25 million expended and a further amount of R63 million committed.

An amount of R440 million of the capital investment budget remains unspent due to cash flow constraints, delays due to the Covid-19 pandemic and the impact on procurement processes.

Capital investment items	Budget (R'm)	Actual	Committed	Total Actuals and Committed	Budget Available
Air-conditioning	219	211	0	211	8
Security measures	1,942	745	1,151	1,896	46
Improvement to leasehold	3,071	1,264	1,773	3,037	34
Support and Servicing equipment	160	150	0	150	10
Electronic equipment	239	0	0		239
Portable safes	61,490	4,466	41,906	46,372	15,118
Office Equipment	15	12	0	12	3
Network and servers	5,315	4,082	1,229	5,311	3
PCs, Notebooks and other computers	15,693	3,738	3,752	7,490	8,203
Printers, scanners and other	293	285		285	8
Software purchased	439,032	10,095	12,189	22,284	416,748
Software Developed	957		957	957	
Furniture and Fittings	574	140	434	574	
Total	**529,000**	**25,189**	**63,391**	**88,579**	**440,421**

During the 2019/20 FY a budget of R326 million was made available for capital investment, with an amount R70 million expended and a further amount of R37 million committed.

The performance for capital investment has deteriorated from 2019/20 FY where 33% of the budget was expended and committed, to 17% of the budget expended and committed during the 2020/21 FY for the reasons as indicated above.

Revenue and Sales

The 2020/21 financial year was one of great economic instability globally. The Covid 19 pandemic had a profoundly negative impact on businesses in general and the effects are still evident. Since the SA Post Office is a conduit for transactions and services, we have a customer base that incorporates individuals, SMME and Blue-chip companies. The impact of the pandemic has seen some of our smaller clients shutting down, and the bigger ones moving to other channels or using new channels for their logistics and financial service needs.

With financial services and delivery being the core of the SA Post Office operations, the lockdowns had the adverse impact of our customers being unable to lodge items and people collecting their parcels or other services from the SA Post Office. This resulted in constrained cash-flows and erratic

services. Other restrictions resulted in us taking longer to bring services to expected levels.

The SA Post Office is establishing mitigations against further business losses. The SA Post Office's move to digitization is key in the future growth of the SA Post Office and its current sustainability. Operations have concluded the realignment for courier and freight services. The redesign of regions and appointments of Regional General Managers seeks to bring management closer to operations and therefore quicker responses to the markets as demanded or dictated by customers via sales personnel.

Our financial services revenue and Hybrid printing were the two areas of sustained growth. The digitization project will assist in bringing options to these services while also adding value to users. This is in response to the change in the markets. These changes and capabilities will also be used to improve the courier component of our services. This will be through ensuring that our customers' requirements of tracking, quotation, PODs will be digitally offered after upgrading.

As Government is a key customer, channels are being developed for easier communication with citizens for municipalities, Government departments and SOEs. These channels will bring added value for our commercial customers as they will elevate the communications channels to the citizens, their customers. Other Government projects like social grant distribution, DTT switch over and AARTO are ongoing. The MVL service is one that has potential for growth and focus will be placed on improving that service offering with our Operations department.

We continue to respond to tenders from Municipalities for services. The team is finalising a hybrid digital solution for this important segment. This should see the SA Post Office contributing tangibly in servicing municipalities while bringing innovation to our people.

Government business is not the only focus for the division as engagements continue with our Corporate and SMME customers in order to retain and grow revenue lines.

Base line revenues were affected mostly by the decline experienced in Mail revenue. This is a direct result of migration by customers onto digital platforms in response to technological innovation and perceived poor delivery standards by the Post Office. The switching of statements to SMS and MMS for some of our customers also reduced revenue. All of this was exacerbated by the Covid 19 pandemic.

Despite the decline, Sales continued to engage with Key Account customers in order to co-create solutions that will grow existing revenues and also exploring additional or new revenue streams.

Motor Vehicle Licence renewals and SASSA contributed positively towards revenue.

Performance against the planned growth target was poor due to slow traction on contracts we have secured. These are expected to grow in the foreseeable future. The pipeline requires investment into platforms that would enable delivery of services. Most of the potential projects require integration which the SA Post Office has not been able to implement thus far. Prioritisation of projects has seen investments in some technologies but the completion of these will ensure the ability to integrate with customers and offer a wider portfolio of services.

Customer Services is striving for required achievements in terms of SLA required by ICASA of resolving complaints within 14 working days. The break in services due to lockdowns resulted in a spike in queries. We are working towards a 7 day query resolution benchmark. The Call Centre update project is still incomplete due to funding challenges. These delays continue to impact on the overall effectiveness of the Call Centre management process.

KEY REVENUE ACHIEVEMENTS

The annual MVL revenue picture is favourable with revenue of R369.7 million exceeding the previous year's revenue with R35.2 million.

The DTT revenue of R81.9 million, made up of distribution and bulk warehousing, as at 31 March 2021 compared favorably to the previous year which was recorded at R72.5 million.

Operations

OPERATIONAL REPORT

The financial year ending 31 March 2021 was in many respects a very challenging year. The weak financial performance and under performance on key company indicators is testimony to the difficulty SA Post Office experienced.

Unfortunately, from a global perspective the world was hit by the Covid-19 pandemic which forced Governments around the world to implement shutdowns to restrict the movement of people in an endeavor to decrease the spread of the corona virus. A national lockdown was introduced with effect from 26th March 2020 in South Africa.

The Post Office and Operations in particular was not spared and initially the hard lockdown, brought the domestic economy to a halt, with only essential services being allowed. Needless to say that the recovery of the business was very difficult and slow at first, with only services such as the payment of grants and delivery of medicine being allowed. While the challenges of the initial hard lockdown was evident, small pockets of light and hope was created by Logistics through the successful delivery of laptops for the University of Pretoria, Wits University and others to enable students to continue studying through virtual means. In addition delivery of other products for the universities such as stationary for the blind was done showing compassion for those in need.

The nature of our business is that monthly statements are mailed from business to clients and during these period where statement could not be lodged these lodgement volumes were lost. The Post Office delivered approximately 272 million items during the 2020/21 financial year, compared to roughly 545 million the previous year.

Insufficient cash flow and SA Post Office being unable to pay creditors had a ripple effect on operations also resulting in locking of offices and branches by landlords due to non-payments, which in turn hampered the ability to transact and increase revenue.

Operations was already confronted with declining mail volumes, and strategic initiatives were aimed at implementing a business model to support drives for financial sustainability and to enhance business performances across the entity, which was prohibited.

FINANCIAL SUSTAINABILITY

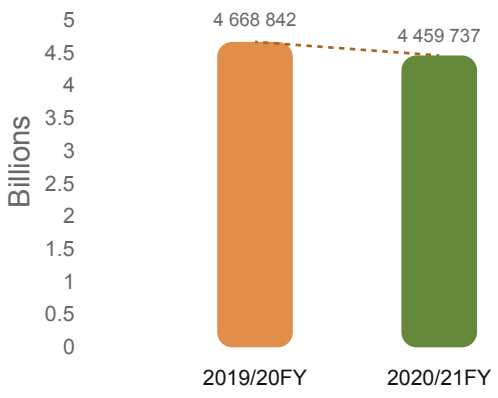
Financial Consolidation for Operations

Expenses for Operations exceeded budget however were lower than the previous year.

Operations is regarded as the service delivery arm of the

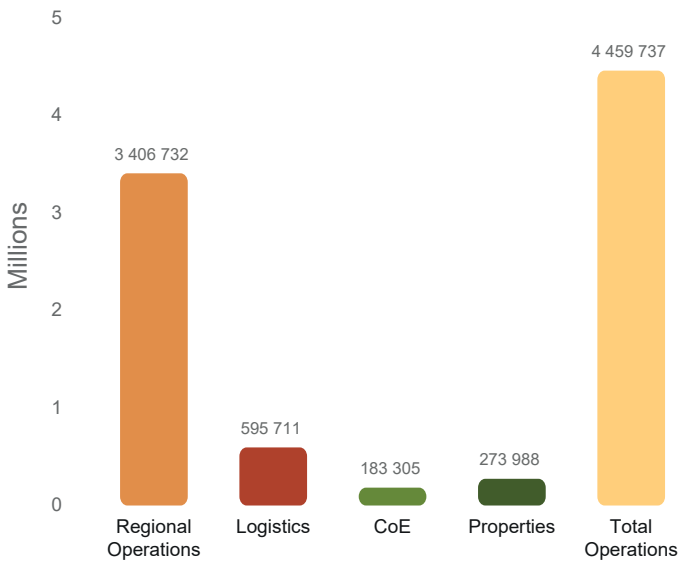
Operations: Highlevel Financials (2020/21

(Figures reflected in Billion)



Operations Divisional Allocations

2020/21



SA Post Office, the fulfilment of the demand generated by sales becomes a key goal. The key business functions of the Operations divisions are related to the movement of money through cash handling, payments and collection of cash, postal orders and money transfers. A second key function is the movement of messages which includes both physical letter items as defined in the Postal Services Act of 1998, and electronic messages as defined in the ICT white paper. The core activities of the letter distribution function are the collection, processing, transportation, and delivery of letters. Thirdly, Operations also facilitates the movement of goods (parcels and freight) via the national postal network. The SA Post Office logistics core functions are similar to the letter distribution activities.

Operations utilizes a decentralized operational model which is segmented into six Operational Regions and three divisions, i.e. Logistics, Properties and Centre of Excellence. Collectively, these divisions collaborate to achieve a holistic execution of key operational business functions.

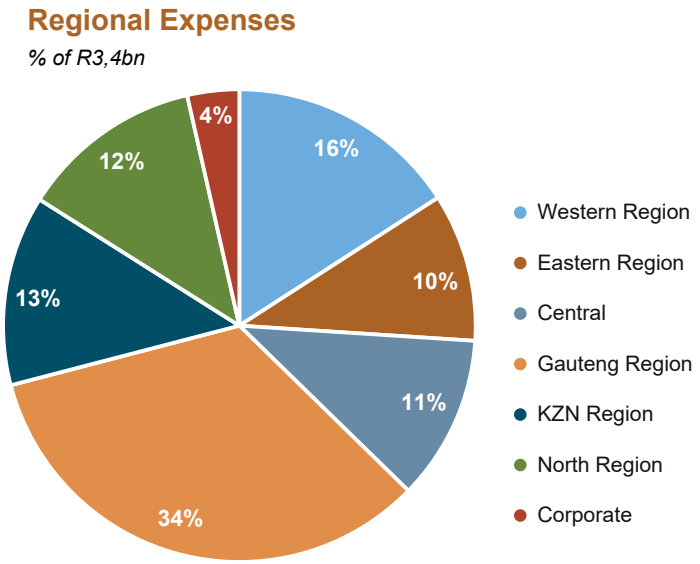
The Regional Operations are aligned and demarcated along the lines of the nine provinces and ensure key government services are enabled through the SA Post Office network for all citizens of South Africa. The regions perform the day-to-day operational functions through processing and delivery of postal services, while financial services such as SASSA grant payments, MVL, etc. are performed through a wide branch network.

The Logistics division plays a pivotal role and enables the movement of postal items and other goods and services through an end-to-end transportation network. Furthermore, Logistics provides a key capability in the execution of eCommerce deliveries and are specifically responsible for the inbound and outbound international business.

The Properties division is mainly responsible for the management of the organisation's entire property portfolio (owned & leased) including facility management and property technical services. Additionally, the core functions of the Properties division includes the daily maintenance, refurbishments, relocation, establishment and closure/ amalgamation of all company owned and rented buildings, within the ambit of applicable regulations and legislation such as PFMA, OSHA, amongst others.

Regarding the Centre of Excellence division, they are mandated to provide technical and specialized services to the operational team aimed at optimizing the operational environment and improve efficiently and effectiveness. Furthermore, the Centre of excellence is at the forefront of the organisation's migration to digital solutions and modernizing the SA Post Office operational business practices. The core capability of this division centers on business planning activities such as workforce planning and procurement planning, business processes and system optimization.

Percentage split of the expenses for Regional Operations:



The key contributors for Gauteng Region are staff cost and property cost which represent the bulk of expenditure, these two accounts are well above the Western region, which is second in expense allocation at 16%.

SASSA

The SASSA/SA Post Office Social Disbursement Accounts (SDAs) increased bringing the total beneficiaries to 7 964 381. The table below reflects the total beneficiaries and proportional split between IGPS and Mzansi accounts comparatively year-on-year.

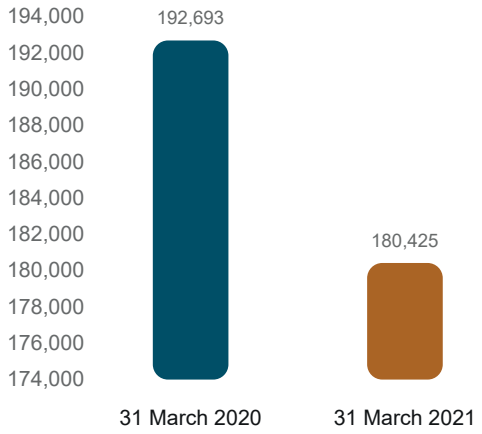
Payments	Mar-20	Mar-21	Change
IGPS	8 069 729	7 873 543	196 186
MZANSI	94 511	90 838	3 673
Total	**8 164 240**	**7 964 381**	**199 859**

The SASSA withdrawal cumulative transaction value for the financial year is approximately R147.8 billion with 57.5% at ATM's, 30% at Retailers, 4.2% at SA Post Office Branches and 7.7% at cash pay points (CPP's).

A total of 180 425 beneficiaries were paid through 1621 CPP's at the end of March 2021, compared to 192 693 beneficiaries by end March 2020. The average number of beneficiaries paid per month for the 2020/21 financial year was recorded at 201 464 compared to 191 587 the previous year.

CPP Beneficiaries

(As at 31 March YoY)



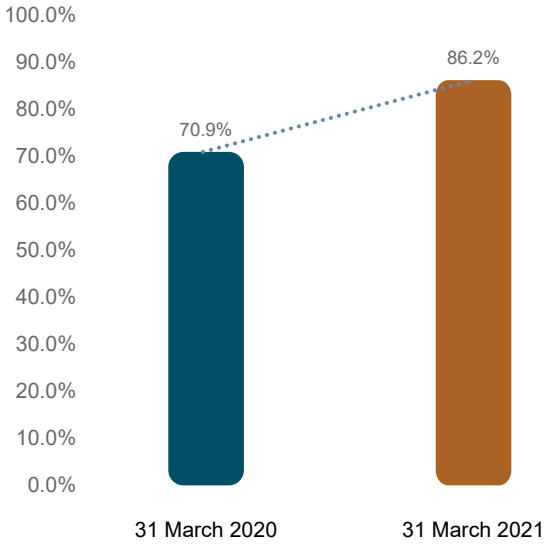
The SA Post Office revenue on Social Grants YTD is R968.4 million compared to the previous year where it was recorded at R715.4 million.

SASSA SLA

The overall regional calculated compliance rating in terms of the SASSA SLA during March 20201 was recorded at 86,2%, while the compliance target is 95% in terms of both the SA Post Office branches and Cash Pay-points. Non-compliance is mainly due to challenges of space for sturdy chairs, non-provision of dignity services such as ablution facilities. However, improvement of the performance YoY from 70.9% to 86.2% can mainly be contributed to management intervention and increased provision of some dignity services.

SLA Compliance

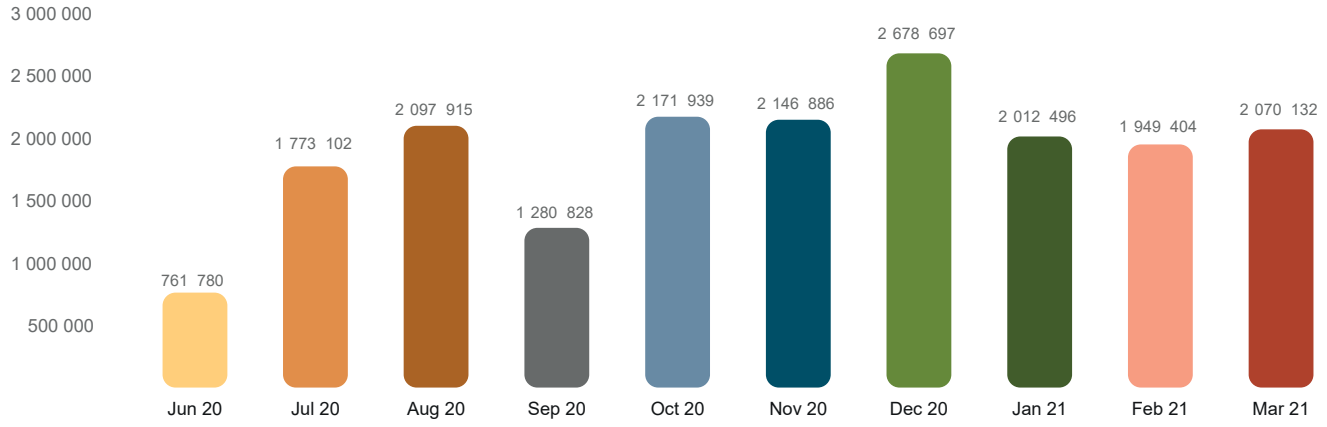
(YoY Comparison : Target 95%)



Social Relief of Distress SRD Grants

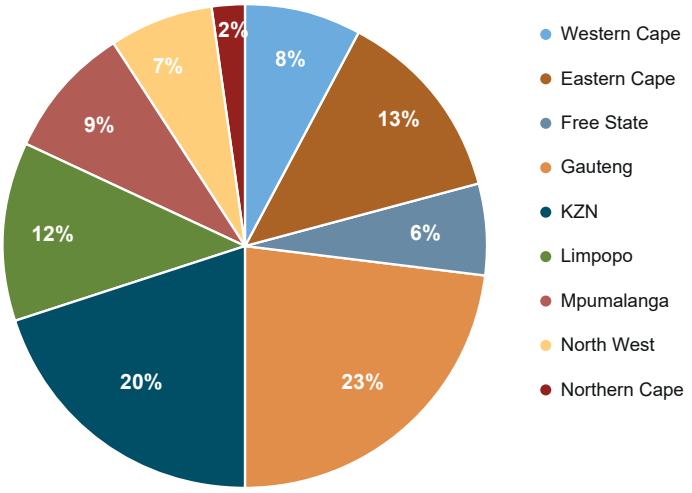
The payments of Covid-19 Social Relief of Distress (SRD) grants started in June 2020 where a total of 761 780 beneficiaries were paid and 2 070 132 beneficiaries paid in March 2021. Cumulatively 18.9 million beneficiaries were paid until end March 2021, with the cumulative cash value since the introduction of the SRD grant at R11.6 billion. The beneficiary volume for the period June 2020 to March 2021 is depicted in the graph on the next page:

SRD Beneficiary Volume



The provincial split of beneficiaries is depicted in the graph below for the period 1 April 2020 to 31 March 2021.

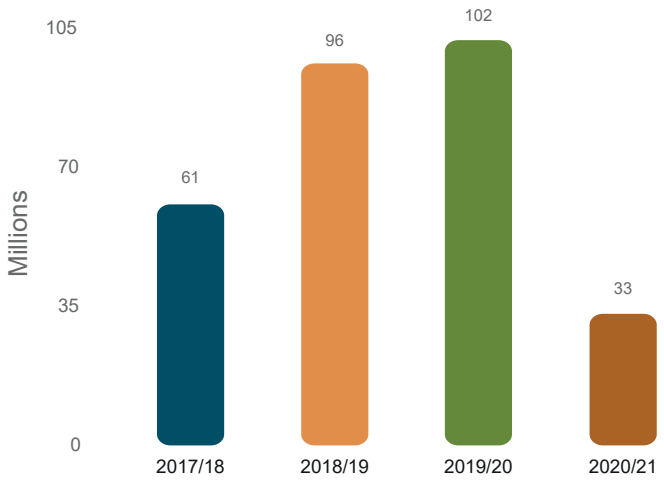
Provincial Split



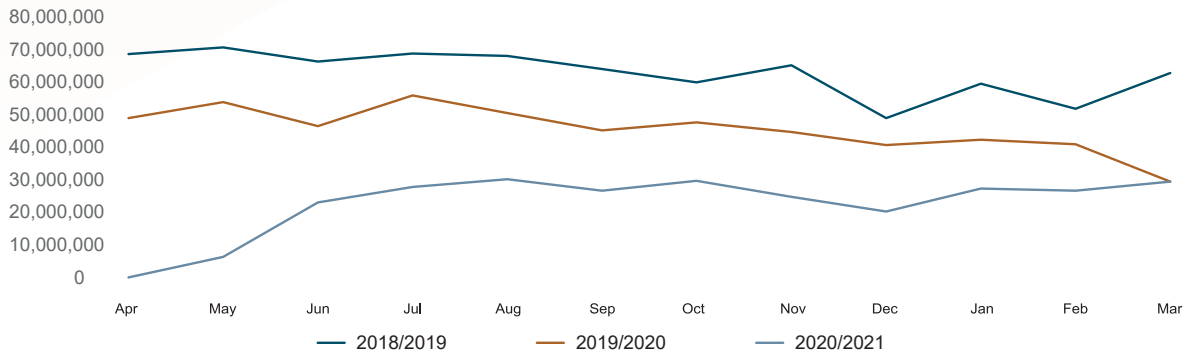
Revenue for CN22 international parcels underperformed with the YTD revenue of R33.1 million represents a 30% achievement of budget. Comparatively, the actual YTD revenue for 2019/20 was R102 million and R96 million for the 2018/19 financial year respectively. Historically the revenue for CN22 parcels have performed well as depicted in the table on the right:

The graph below indicate the consolidated domestic mail volumes for Standard mail, Non Standard mail, Fast mail, Registered letters and parcels over a three year cycle.

CN22 Parcel Revenue



Mail Business: Std, Nstd, Fastmail, Register, Parcel Volumes



Branch Profitability

To illustrate the impact of Covid-19 on the profitability of branches it is noted that only 6 branches were profitable in April 2020 and 5 branches in May 2020 at the peak of the first hard lockdown periods. The profitable branches remained fairly low until September 2020. However, the financial year ended with 171 branches being profitable compare to the 135 branches by 31st March 2020.

A total of 22 branches were officially closed during the 2020/21 financial year and in addition one Retail Postal Agency (RPA) was closed, while one RPA was converted to a post office. Two branches were closed due to landlords forced closures as a result of rental arrears.

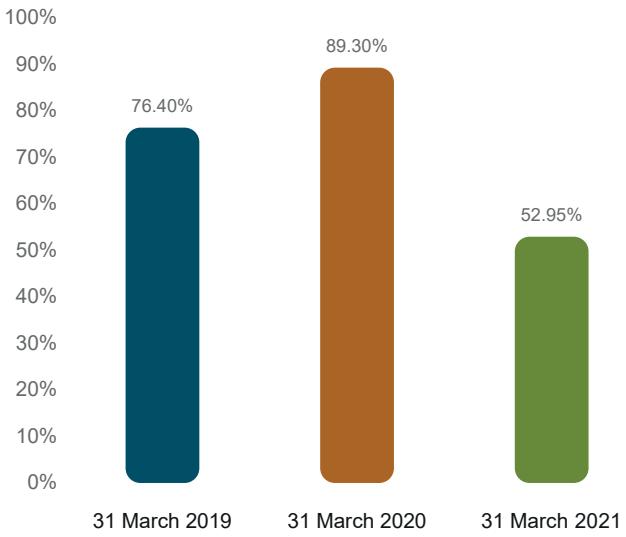
Year	2018/ 2019	2019/ 2020	2020/2021			
			June 2020	Sept 2020	Dec 2020	March 2021
Service Perfor-mance	76,4%	89,3%	38,9%	35,8%	48,46%	52,95%

SERVICE STANDARD

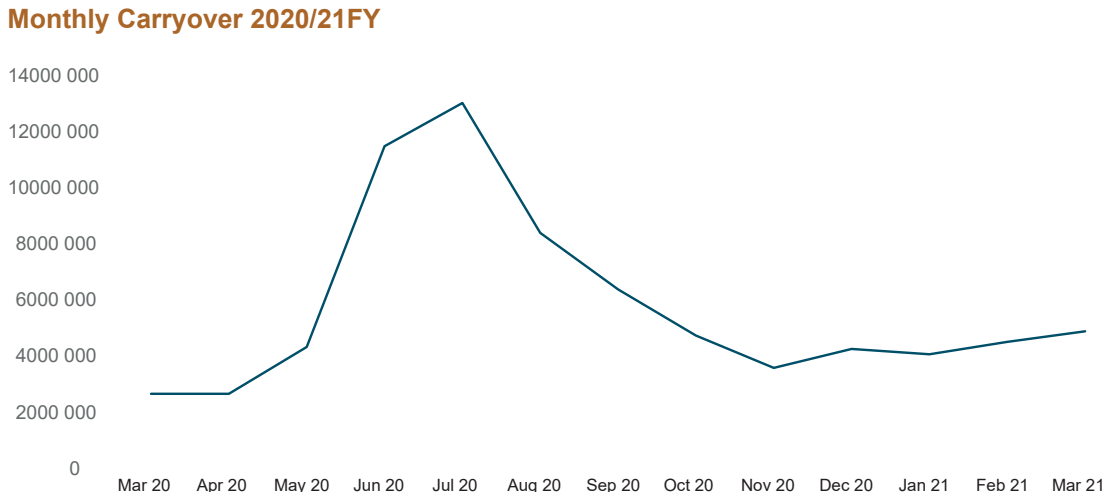
Delivery Standards

With the assessment of the key corporate performance indicators it is noted that the delivery performance has been hit hard by the pandemic disrupting progress gained during the previous financial year. To illustrate this the delivery performance of 89,3% by the end of March 2020 have regressed to 35,8% by September 2020, but recovered to 52,95% by end of March 2021. The table below give a perspective of the past few years and the impact of Covid-19 in 2020/21.

Delivery Performance



The average carry overs reach a high of 13,4 million items in July 2020 due to us not being able to deliver mail, as our movement was limited as a preventative measure to contain Covid contamination, impacting negatively on the rate of service as indicated above. The carryover trend since March 2020 is depicted in the graph below:



OPTIMISED ASSET AND INFRASTRUCTURE

Operations Foot print – Competitive Advantage

Post office by type and RPA's per Province 31 March 2020						
Province	**Post office**	**Postpoints**	**Transportables**	**Mobiles**	**RPA's**	**Total**
Total	**1338**	**61**	**18**	**9**	**694**	**2120**
			1426			

Post Office by type and RPA's per Province 31 March 2021						
Province	**Post office**	**Postpoints**	**Transportables**	**Mobiles**	**RPA's**	**Total**
Total	**1322**	**57**	**18**	**9**	**692**	**2098**
			1406			

The Retail outlet footprint remains one of the SA Post Office's key enablers and SA Post Office is well positioned to fulfil its government mandate and to provide a range of services to benefit all of South African citizens, such as the payment of Social Grants.

Currently the Mail processing environment is serviced through 25 Mail Processing Hubs across the country and 3 Offices of Exchange looking after International services at Johannesburg, Durmail and Capemail.

Under Logistics we have 19 courier branches where sorting of priority products and speed services items are processed.

Property Infrastructure program

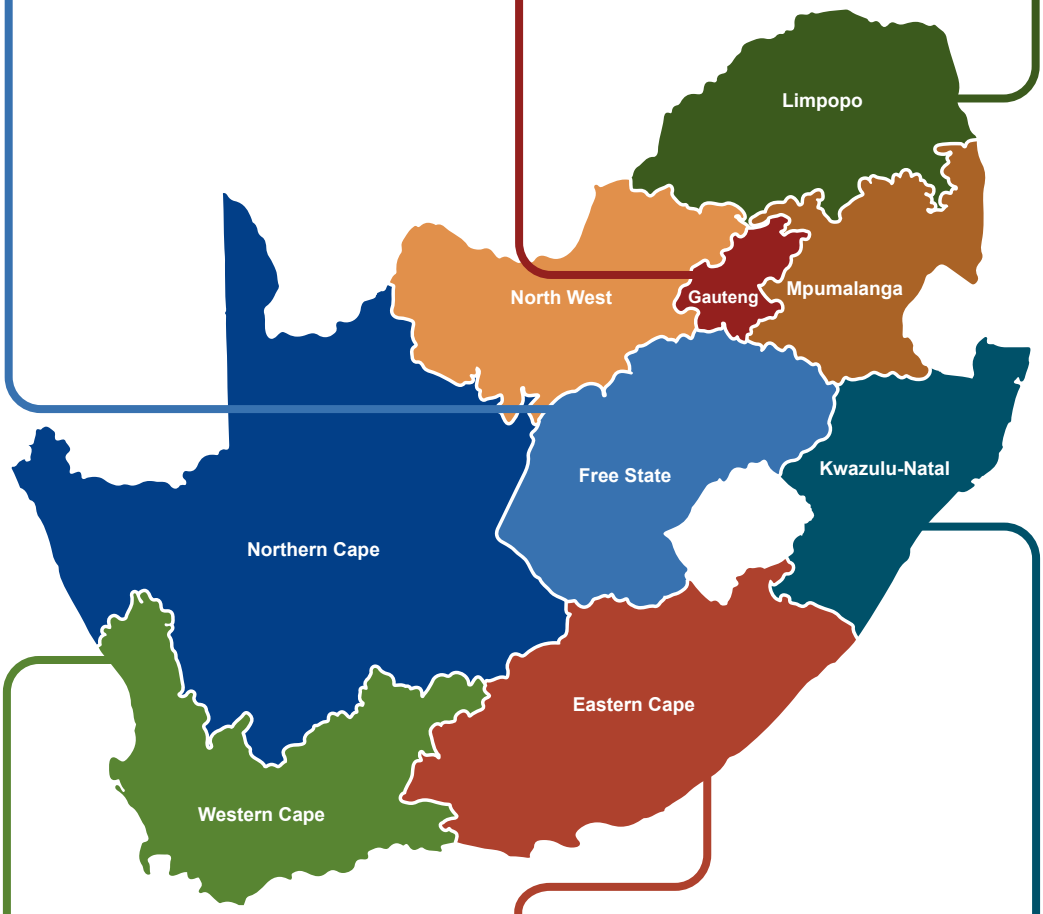
The infrastructure program has not gain sufficient traction during the year, primarily due to funding and the limitation of Covid regulations. Only one site was refurbished by the Properties division as at 31 March 2021. However, it is worth noting that substantial work was done during the year and spending was incurred on maintenance and cleaning of buildings, including Covid-19 regulatory requirements. Approximately R13.8 million was spent on maintenance and R22.8 million was spent on cleaning of buildings as at the end of the financial year.

Operations footprint

Central Region
(Free State & NW)
Retail outlets: 238
Retail Agencies: 104
Mail Centre: 4
Delivery Depots: 170
Fleet: 198

Gauteng Region
(Gauteng Province)
Retail outlets: 300
Retail Agencies : 5
Mail Centre: 5
Delivery Depots : 95
SCM Warehouse: 1
Fleet: 258

North Region
(Limpopo & MP)
Retail outlets: 247
Retail Agencies : 213
Mail Centre: 2
Delivery Depots : 147
Fleet: 312



Western Region
(NC&WC)
Retail outlets: 230
Retail Agencies : 178
Mail Centre: 6
Delivery Depots : 53
SCM Warehouse: 1
Fleet: 192

Eastern Region
(EC Province)
Retail outlets: 187
Retail Agencies : 122
Mail Centre: 3
Delivery Depots : 27
Fleet: 99

KZN Region
(KwaZulu Natal)
Retail outlets: 204
Retail Agencies : 70
Mail Centre: 5
Delivery Depots : 46
SCM Warehouse: 1
Fleet: 179

During 2020/21 FY, 1 property was restored / refurbished – Stellenbosch post office undertaken by SA Post Office employees. The lack of funds posed a challenge to implement the refurbishment program on the planned sites.

A substantial amount of work was conducted in compliance to Covid-19 regulations. This included decontamination of sites, facilitate cleaning by external parties and assist with internal cleaning interventions with regional management.

Addressing

A GIS portal was built for internal use and is envisaged to be accessible externally in the new financial year. With the realigned focus to geo-referencing and uploaded of addresses to the national address database good progress was made with approximately 110,000 addresses being geo-referenced. Due to the challenges of Covid-19 the address activation program will gain traction in the new financial year.

The SA Post Office has continued to rollout addresses with 12 838 483 street addresses currently being serviced nationally. In addition private and free postboxes are serviced at branches and/or loose standing box units with a total of 3 671 637 postboxes on record of which 1 750 278 or 47.7% is rented boxes. Of the total rented boxes, 536 961 boxes or 30.7% is regarded as paid alternatives, with the balance being unpaid second addresses or first addresses.

Post office of tomorrow

The program was put on hold for the year considering the Covid pandemic and financial situation. The SA Post Office has a smart post office design for implementation at Durban post office, Mthatha post office and Mokopane post office as three pilot sites. The program has been targeted for the new-year.

Process Optimisation – Operational Efficiency

The network distribution program has continued and premises are constantly assessed for amalgamation or closure in line with set criteria in order to ensure financial and other benefits.

EFFICIENT SYSTEMS AND PROCESSES

Logistics Optimization

Logistics remains a very important link and enabler for the effective and efficient movement of postal items. At the end of March 2021 the fleet comprises of 1238 vehicles and the national line haul run on 18 routes. Countrywide 45 forklifts are allocated for excess load management in the various processing environments.

Over and above various cost management initiatives, co-loading on surface mail has commence with suppliers assisting SA Post Office to source customers with the aim to improve efficiency on reducing timeframes from mail transported by sea. Domestically the co-loading on return transport legs was prioritized with vendors supplying road transport to reduce cost. Co-loading is currently taking place in Johannesburg, Cape Town and Durban. The owner driver solution is also in progress.

Ecommerce

Logistics have made good progress in the fulfilment of the last mile, clearing, warehousing and delivery of eCommerce products and services. Agreements have been reached with some suppliers to increase parcels delivery opportunities. The Customs Declaration System and upgraded international postal system has strengthened the technology backbone to operate in the eCommerce space.

IPS as an important enabler in the tracking of items is in place, while procurement of addition key equipment is fast tracked to ensure stability of the entire IPS system.

DIGITAL TRANSFORMATION

Equipment, enablement and digital payments

The systems integration powered by PTC of UPU has created the possibility for a good conversation with potential collaborators and ecommerce players, regarding the revamping of digital payments and a Point of Sale solution. SA Post Office business requirements was submitted and we participated in the requirements survey for the Point of Sale (PoS) module.

SA Post Office is on the road to transform itself into a dynamic Omni channel supermarket chain. Digital services shall becoming through strongly in the coming year, as the capability have been built. It is time to provide electronic messaging services and subscription services from data mining. Investment in IT hardware is critically required to fulfil these initiatives.

On management systems, the implementation of Quality of Service (QoS) and security certification process was not completed due to travelling restrictions that prevented auditors from coming from Switzerland to verify and validate compliance, however, reinforcement continued. The journey of establishing Disaster Risk Management (DRM) began. UPU DRM Guide was used to conduct a gap analysis and people assigned to attend scheduled workshops.

DTT (Broadband Digital Migration Project)

To assist USAASA with the planned distribution of digital TVs ("IDTVs") to indigent Grade 12 learners for the purpose of receiving educational material via digital broadcasting network services, the IDTV product has been developed and deployed in a phased-in manner on the SA Post Office DTT system from 1 August 2020. A total of 6 212 indigent households with Grade 12 learners was successfully registered and processed on the SA Post Office DTT system during the period 1 August 2020 to 31 December 2020.

DTT was not identified as essential service during Covid lockdown therefore limited traction on the program took place, however against the back ground of the announcement in the State of the Nation Address on 11 February 2021 that the completion date for the analogue switch-off to digital TV has been set for 31 March 2022, the revised target date for the completion of the STB rollout in the 4 prioritized Provinces, has been set in the DCDT`s 2021/22 integrated Implementation Plan as 30 September 2021. SA Post Office`s 2021/22 DTT Distribution Plan has been aligned accordingly.

The table below provide the performances for the past two years on the STB registration and STB Issue process.

Years	2019/20FY	2020/21FY	Change
STB Registration	126 512	11 507	-115 005
STB Issues	78	49 033	48 955

Since inception a total of 1 161 591 [DTT 826 896 (71%) and DTH 334 695 (29%)] qualifying needy households has been registered nationally. This reflects the registration uptake for the progressive period 1 October 2015 to 31 March 2021.

A total of 598 409 STB `s (553 620 DTT STB`s and 44 789 DTH STB`s) has been issued cumulatively for the period 1 October 2015 to 31 March 2021.

ENHANCE THE CULTURE OF EXCELLENCE – STAFFING OPTIMISATION

In optimising the most important asset, the redeployment of human resources did not gain the expected momentum. The consultation on crewing took much longer than expected. Apart from redeployment, there were continuing consultations with organised labor on rostering procedure to optimise available hours. Furthermore, the work of developing a productivity measurement model was completed and successful piloted, which will be rolled out during the next financial year.

CUSTOMER AND COMMUNITY SERVICES

The target of 100% resolution of customer complaints within the required 14 days has not been attained for the 2020/21 financial year, with an actual performance of 59.7% for eight months of the year. The resolution of complaints has been slow due to the effects of the Covid-19 lockdown.

Customer complaints and the response to that remains a key indicator to determine the level of customer satisfaction and the quality of service provided. The remedial actions implemented to manage complaints from customers are continuously monitored and managed at regional level.

SA Post Office is constantly exploring opportunities with other Government entities to enhance collaboration, improving service offerings to citizens via our infrastructure.

Information Technology

INTRODUCTION

SA Post Office IT, the technology enabler for the organization, is responsible for various activities ranging from day to day operational support and participations and ownership of various projects in support of the organizational strategic goals. SA Post Office IT also remains committed to driving the strategic initiatives aimed at implementing efficient system and processes and to improve SA Post Office's market relevance through digital transformation.

Due to a number of challenges some initiatives were delayed or stopped. One of the main challenges affecting the implementation of a number of initiatives is the lack of available funding. Despite the challenges, some initiatives were successfully implemented, some are still in progress.

This report aims to highlight the successes as well as the challenges of the SA Post Office IT department for the 2020/21 financial year.

IT ORGANIZATION

The IT organization was faced with serious challenges in regards to skills shortages, high vacancy rate for a few years and 2020/21 was no exception. In 2019/20, the IT strategy and structure was realigned with the organizational strategy. The new IT structure was approved based on a Run, Grow and Transform model.

Implementation of this structure was and remains a challenge as the new structure requires more specialised skills, especially in the Transform function. With the high vacancy rate, cross skilling or up skilling current resources in new roles are not an effective option and urgent recruitment is required. Recruitment efforts were hampered by lack of funds and a moratorium.

The IT Run function, responsible for IT Infrastructure and Operations managed limited recruitment and remains severely understaffed. The IT vacancy percentage is currently at 65.57%.

IT OPERATIONS AND INFRASTRUCTURE

The state of the IT infrastructure on branch and datacentre level remains a serious risk for the organization. With the exception of the IT network upgrade, there's been no significant investment in IT Infrastructure in almost 10 years.

Branch Infrastructure

Incident analysis for the 2020/21 financial year reveals that 30% of incidents logged by branches were for hardware (screens and base units). These are hardware failures which requires parts to be replaced. Due to the age of the POS terminals, these spares are no longer available and serviced through refurbishment. Effective response to hardware failures are impacted by lack of spares due to lack of funding. A further 20% of calls logged related to pin pad failures. These failures are as a result on configuration files corruption due to aging hardware.

The IT section responsible for resolving these configuration issues daily operates on an average of a 1000 carry over logged incidents monthly due to the fact that these issues are repetitive in nature. Branches cannot operate effectively due to the high rate of hardware failures. POS hardware refresh requires very high priority in the 2021/22 financial year.

Datacentre Operations

SA Post Office datacentre infrastructure (Compute and Storage) was last refreshed in 2012. This aged, unsupported infrastructure provides the hosting platform for all SA Post Office business applications. This entire landscape operates at risk with no support and maintenance contracts active due to lack of funding. Most of IT cost cutting initiatives were linked to non-renewal of very expensive hardware and software maintenance contracts.

The hosting facilities (datacentres, including Trust Centre) is also in a very bad state with aged generators, non-functional cooling services, various electrical reticulation and backup power issues. Efforts to refresh the IT datacentre infrastructure and upgrading of the hosting facility (datacentres) commenced in 2020 through possible public private partnership but failed.

A new infrastructure refresh strategy will be the focus for 2021/22 financial year with various models e.g. cloud, hybrid and possible collaboration with SITA being explored.

IT Network

One of the main initiatives towards ensuring efficient systems and processes is the implementation of the network upgrade project.

The project scope includes migration from old diginet (copper) technologies to fibre and the replacement of old obsolete unsupported network equipment. The network upgrade is a contributing factor towards maintaining SA Post Office's network uptime at 98%, and will ensure that customers and employees are able to transact and therefore improving customer satisfaction and reliability of services. To date the SLA for migrated sites were met or exceeded.

This project was delayed due to various factors including,

ready for occupation (RFO's), land lord approvals, contractual disputes and payment challenges. The project gained momentum in 2020, and as at 31 March 2021, a total of 1 263 out of 1 329 sites have been fully commissioned with new equipment and upgraded connectivity resulting in a 96% achievement of the network upgrade project. 66 Sites remain to be completed of which with 34 are workable sites but require alternative solutions and 32 non-workable due to outstanding landlord approvals.

IT INITIATIVES

Digital Transformation: Corporate and Strategic Initiatives

To improve SA Post Office's market relevance and increase customer access to digital services, the drive towards digital transformation forms an integral part of SA Post Office's Corporate and Strategic initiatives. The following projects were initiated to support this strategy.

Enterprise Application Platform

The Enterprise Application Platform (EAP) is aimed at providing the SA Post Office with an integrated platform to improve business processes, improve efficiency and improve integration with customers. The EAP also aimed to reduce the number of licenses required and consolidating applications. Only 10% on the initiative target was achieved. Due to SA Post Office current financial challenge, it was decided to opt for a cost-effective solution by utilising the SITA/SA Post Office collaboration which is a deviation to the initial initiative.

Going forward SA Post Office will explore and assess various platforms to modernise the SA Post Office legacy applications as part of the digitisation strategy.

E-Commerce Platform

The purpose of the SA Post Office E-Commerce platform was to provide greater access to online shopping to customers and delivery of items purchased online via the SA Post Office, diversifying revenue stream and increasing digital transformation whilst providing access to SMMEs to an online market.

Reasons including the suspension of partner engagements due to the regulation requirement for the procurement process as well as SA Post Office's current financial challenges, the development of the E-Commerce platform was suspended.

A decision was made to deviate from the original initiative plan and to opt for a cost-effective solution by utilising collaborative initiatives and partnerships as part of SA Post Office modernization drive to improve efficiency.

Operational Projects

In addition to very specific digitization initiatives, SA Post Office IT is also involved in various operational projects where upgrades, changes or even implementation of new system are required to accommodate other business initiatives. The projects below reflects the significant accomplishments in this regard.

Wish.Com Integration

The conclusion of the Wish.Com initiative as the fulfilment of the last mile, clearing warehousing and delivery as a new SA Post Office revenue stream was a major achievement for SA Post Office and IT played a major contributing role to this initiative to ensure that the IT integration between SA Post Office and Wish.com was implemented successfully.

SASSA Grant Payment Stabilization

Various initiatives were implemented with the collaboration with Postbank IT to significantly stabilize the IGPS system. Industry SLA in regards to National Payment System (ATM and POS) was consistently met after the IGPS stabilisation. Further technical upgrades are planned during the 2021/22 financial year. Despite various challenges on POS Hardware, SA Post Office IT implemented focused support for high volume branches to ensure readiness for peak grant payment periods which proofed successful. This includes the payment of the R350 SRD grants.

STB/DTT Automatic Bulk Registration

This functionality has enabled speedy registration process on the STB/DTT system, and has reduced the number of physical registration at the branch.

Sentech Integration for Issuing DTT/DTH

Enables Sentech to manage the DTT Issuing process.

VPO Software and Hardware Migration

The migration of the Virtual Post Office system from external hosted environment to SA Post Office datacentre, has resulted in cost saving on hosting fees with external supplier. The migration also resulted in stabilization of this environment.

Bulk SMS Implementation with Vodacom

Successfully implemented the bulk SMS messaging for UNISA, Secure Mail and DTT.

IPS Upgrade at SA Post Office Mail Centres Nationally

IPS, an international parcel tracking solution, which forms part of the UPU product suites was successfully upgraded and rolled-out nationally to SA Post Office mail centres. This initiative is also part of the UPU E-Commerce program to ensure better integration and visibility of parcel tracking events between UPU countries.

API Platform Implementation

As part of the IPS implementation, SA Post Office IT successfully implemented the API platform which makes it easier for customers to integrate so SA Post Office for various parcel related and tracking functionality.

Supply Chain Management is made of the following units:

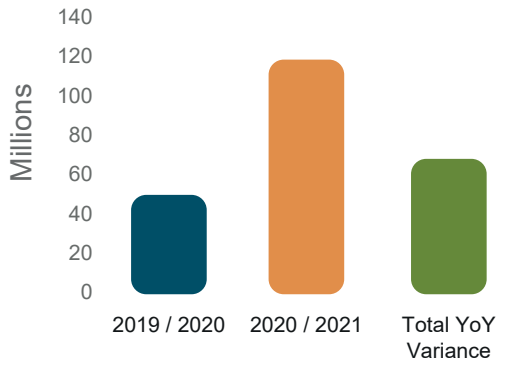
Security and Investigation Services

INTRODUCTION

During 2020/2021 the SA Post Office remained an unfortunate, but attractive target for criminals as a result of social grant payments at its Branches, which is a direct result of high cash volumes at Branches due to SASSA payments.

In comparison to 2019/2020FY, crime reported incidents had increased by 318 (10%) - from 2769 to 3087 incidents, whilst the reported loss had increased by R68m (58%) – from R49.8m to R117.8m.

National Overview of Reported Loss

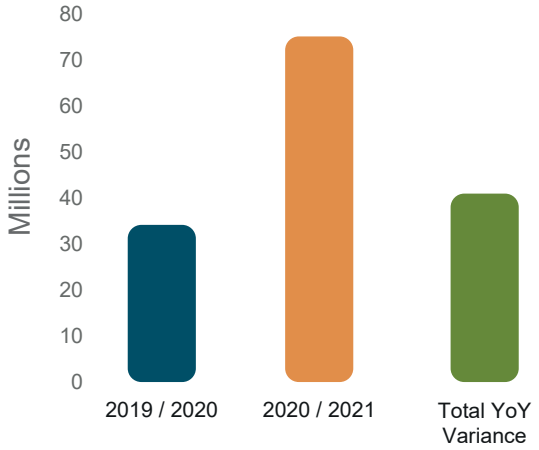


Violent Crime Overview

During 2020/2021FY SA Post Office Branches experienced 900 armed robberies and business burglary incidents with a reported loss of R 94.6m – a 33% increase (299) in incidents and a 55% (R52m) increase in reported loss.

- Armed robberies:
  - Reported incidents increased by 103 (30%) incidents – from 149 to 342
  - Reported losses increased by R41m (55%) – From R34m to R75m

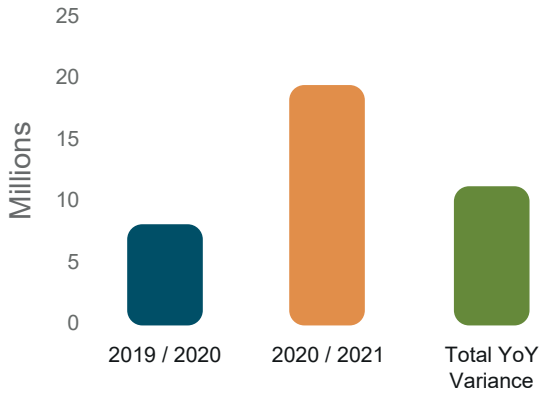
Armed Robbery Loss



Business burglaries:

- Reported incidents increased by 196 (35%) – from 362 to 558
- Reported losses increased by R11.3m (58%) – from R8.2m to R19.6m

Business Burglary Loss



During the past financial year, due to the financial constraints the SA Post Office has been experiencing, the intended deployment of the various physical security measures at the Branches could not be completed.

Supply Chain Management

- Procurement
- Supplier Development
- Governance
- Logistics – Demand management and warehouse

Each unit contributes to the SCM strategy to ensure that the unit function seamlessly.

PROCUREMENT

The SA Post Office spent approximately R1 billion in procuring goods/works and services and this excludes statutory payments. Our procurement process encompasses small / low value, individual purchases of commodity items through to complex high value, high risk contracts.

Procurement reaches and affects every facet of the SA Post Office activities and plays a crucial role in meeting the difficult financial challenges that the SA Post Office faces. The effectiveness of how we procure and how suppliers perform does impact the quality of services which our customers receive and also have an impact on local businesses and stakeholders.

As a State owned company, we are impacted by National Treasury Procurement Legislations that places a number of legal requirements on the way we undertake our procurement activities. Whilst National Treasury Procurement Legislation may limit our flexibility, it in no way alters the necessity for procurement to make a significant contribution to delivering financial benefits and value for money on the goods, works and services we procure.

There are 131 valid contracts as at 31 March 2021. The highest value contracts are in Security Services and Information Technology departments. The strategy for FY21/22 is to review all contract to ascertain the value they add to the business.

SUPPLIER MANAGEMENT

Supplier management supports the SA Post Office Group procurement strategies by identifying and selecting operationally capable and financially sustainable suppliers. This unit is charged with managing and coordinating supplier development initiatives, introducing SMME's and BEE enterprises into the SA Post Office procurement and mitigating supplier risk and monitoring adherence to legislation.

For the financial year 2021, the SA Post Office has spent 12% of its annual procurement spend (annual spend is R1.1 billion) on companies that are 30% owned by black women.

GOVERNANCE

This unit is responsible for SCM compliance in terms of SCM policies, contracts, tenders and audit management. The Governance unit produces the SCM monthly report, irregular expenditure and fruitless & wasteful expenditure reports. It is also responsible for the document management and the storage of documentation.

SCM LOGISTICS

SCM Logistics is responsible for inventory management, that is, saleable (60%) and consumable stock (40%). Inventory is currently centralized in the the SA Post Office premises in Silverton, Pretoria. The strategy going forward is to decentralize the warehousing of inventory, especially the consumable stock so as to improve the turnaround time that will yield positive customer service levels and to promote regional local procurement.

SCM has started with the Eastern Cape and KZN regions in piloting regional warehousing. The disposal of moveable assets that have been written off in accordance to DOA also resides within this unit.

SCM 21/22 STRATEGY

A fully capacitated SCM will focus on the Category Management Approach. Delivering on effective procurement depends on taking into account the nature of the purchases (value and risks), business needs and the nature of the current and future markets. The advantage of this approach is that it indicates where specialist procurement skills and knowledge should be focused and where best to exploit aggregations to achieve savings and improved service. FY21/22 will focus on decentralising procurement and develop local SMMES.

International Relations and Participation

STAKEHOLDER MANAGEMENT

Government and Parliamentary Relations

Government Relations (GR) is responsible for establishing and strengthening stakeholder relationships with all three tiers of government – National, Provincial and Local as well as Parliamentary Portfolio Committees and Select Committees of the National Council of Provinces (NCOP).

Government Relations is an important element of any business that is subject to government regulations. It is therefore imperative that the SA Post Office develops and nurtures strong relations with the shareholder, government departments, Regulatory bodies, political parties represented in Parliament, State Owned Entities (SoEs), the private sector, civil society, Labour Unions and other relevant formations.

INTERNATIONAL ENGAGEMENTS

The SA Post Office's participation within the international space is guided by the framework of the government's White Paper on International Relations. The SA Post Office's active participation in international postal organisation fulfils one of the international obligations as contained in Section 21 of the Post Office License.

The SA Post Office is an active member of the following international organisations:

- Universal Postal Union (UPU)
- Southern African Postal Operators Association (SAPOA)
- Pan African Postal Union (PAPU)
- Conference of Commonwealth Postal Administrations (CCPA)

Universal Postal Union (UPU):

The Universal Postal Union (UPU) was established in 1874, with its Headquarters in Berne (Switzerland). It is a specialised agency of the United Nations and helps to ensure a universal network of up-to-date products and services with 191 member countries. It sets the rules for international mail exchanges and makes recommendations to stimulate growth in mail volumes and to improve the quality of service for customers.

Pan African Postal Union (PAPU)

The Pan African Postal Union (PAPU) is a specialised agency of the African Union (AU) with its headquarters in Arusha, Tanzania. It was established to organise and improve the Postal services within the Continent of Africa, and promotes the development of international collaboration amongst member Postal Enterprises and undertakes technical assistance in Postal matters. SA Post Office is a member through our shareholder.

Southern African Postal Operators Association (SAPOA)

The organization represents a collaborative and cooperative forum for the 14 member postal operators. The members correspond to the SADC member countries.

The current members of SAPOA are Angola, Botswana, DRC, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia, Zimbabwe.

SAPOA's main objectives are to promote the development, establishment and operation of efficient, affordable and accessible postal services within the Southern Africa region that meet the diverse needs of customers while being economically and commercially sustainable.

Conference of Commonwealth Postal Administrations (CCPA)

The CCPA was formed in 1971 and has a membership of 71 Postal Administrations drawn from the Commonwealth's 53 member countries.

It was created as a forum for sharing best practice, discussing matters of common interest and acting as a concerted lobby on key issues given that CCPA's membership represents about a quarter of the UPU electorate.

International Projects

The overarching strategy of the international postal sector is centered on 'Digital transformation.

Ecommerce project is a national project endorsed by the Minister of Communication and Digital Technology. South Africa was earmarked to be the hub of ecommerce in the region. Assessments have been done by the UPU team in 2017 and the SA Post Office is readying itself to play this role.

Philately and Museum

PHILATELY

Philatelic Services is the unit that produces stamps for the SA Post Office. The name Philatelic Services stems from Philately, which is the hobby of collecting and studying stamps and related material. We are responsible for the design and printing of postage stamps and postal stationery for the Post Office. The section also distributes and sells stamps.

As the producer of stamps, Philatelic Services is also mandated to safeguard stamps as they are part of our heritage as a country; for that reason Philatelic Services provides the Post Office Museum that with all stamps produced in South Africa for safe keeping and posterity.

Postage stamps are the country's smallest ambassadors. They reflect what is going on in the country, its history, geography, people, fauna and flora, culture as well as all facets of society. Stamps are for the general population of South Africa. Philatelic Services produce stamps for the general public and collectors. They have to be non-partisan and reflective of the country as a whole. Stamps also have a long reach and travel the entire world very cheaply yet effectively. At Philatelic Services we say, collect stamps and experience fun!

Philatelic Services Composition

Philatelic Services is divided into two sections, Product Development and Business Development. Product Development is responsible for the production process of stamps ranging from procuring and producing artwork to designing stamps and related products. Business Development is responsible for the marketing and sales of stamps as well as client services. Business Development works closely with the Stamps Distribution Centre as orders are dispatched from there.

Value of stamps and Philatelic Services

The value of stamps is often overlooked. Stamps cover a range of events that expose the SA Post Office to the elite of the world. Philatelic Services had launches on 'The Blue Train'; met the Leadership of FIFA, the ICC, multiple heads of States and innumerable VIPs. SA stamps are of high quality and can compete with any postal service internationally. SA stamps have won gold and silver awards in the UPU International Stamp Competition Class and won an award for the Most Innovative stamps at the Nexofil Best Stamp in the World competition in 2013 and the 2004 SA FIFA stamp won a gold medal for the best design.

The free publicity offered by stamps is incomparable and invaluable. Best of all, Philatelic Services broke the Guinness Record for the biggest mosaic made of stamps!

Recently issued stamps

SA Endangered Species Series, Part 1: Frogs

The frogs included in the stamp series represent a fascinating diversity of species representing grasslands, wetlands, streams, fynbos and mountains. They are:

- Rose mountain toad - *Capensibufo rosei*
- Northern Moss Frog - *Arthroleptella subvoce*
- Rough Moss Frog – *Arthroleptella rugose*
- Table Mountain Ghost Frog - *Heleophryne rosei*
- Micro Frog - *Microbatrachella capensis (Cape Flats Frog)*
- Amathole Toad - *Vandijkophrynus amatolicus*

The set designed by Rachel-Mari Ackermann features six threatened frog species that occur only within SA. Photographs were provided by Andrew Turner, Atherton de Villiers, Louis du Preez, Joshua Weeber and Werner Conradie. The SA Post Office worked closely with the Endangered Wildlife Trust (EWT), in particular their Threatened Amphibian Programme, during the creation of this educational stamp theme.

SA Endangered Species Series: Frogs stamp sheet

Springboks 2019 Rugby World Cup Winners

Springboks won the Rugby Union World Cup of 2019 ably hosted by Japan. The Springboks had lifted the Web Ellis trophy for the third time matching the feat previously attained only by the All Blacks of New Zealand as the team with the most Rugby World Cup Wins. They had previously won in 1995 by defeating the All Blacks and in 2007 by defeating England.

The SA Post Office honoured the Bokke by issuing a self-adhesive Standard Postage sheet of 10 stamps featuring the Springbok emblem and a stylised rugby ball with the word

'Halala Bokke, World Champs 2019'. A First Day Cover was also issued. The post office on the date stamp is Springbok in the Northern Cape. Thea Clemons was the designer.

100 Years of Air Power through 25 Years of Democracy (SA Air Force)

The SA Post Office issued a set of 10 Standard Postage stamps featuring different aircraft to honour the SAAF. The Stamps and two First Day Covers were designed by Thea Clemons of Philatelic Services. The stamp sheet edge features the changing emblems of the SAAF over the years from 1921 to 2020. Below are the aircraft featured on the stamps:

- De Havilland DH9
- Hawker Hurricane
- Douglas C-47 Dakota
- North American F-86 Sabre
- Lockheed C-130B Hercules
- Dassault Mirage IIICZ
- Denel Oryx
- BK-117
- Denel Rooivalk AH-2A
- SAAB JS-39D Gripen

The SOUTH AFRICAN AIR FORCE (SAAF) came into being on 1 February 1920 with over 100 aircraft donated by Great Britain.

SAAF Embracing our Collective Heritage stamp sheet

SA POST OFFICE MUSEUM

The museum was established in 1974 when the SA Post Office and Telkom was still one company. The company was divided in 1991 into the SA Post Office and Telkom and that included the museum.

The museum currently consists of the display at Church Square and the collection kept at the SA Post Office Depot in Silverton.

The museum is responsible for the preservation of the SA Post Office's institutional memory.

The museum develop and maintain a national postal collection of South African historical material. The activities of the museum include acquiring, documenting, researching, writing articles, interpreting and presenting exhibitions, programmes and lectures and preservation.

Currently the SA Post Office Museum is an affiliated member to a number of associations in South Africa and actively participates in a number of events related to communication and preservation of heritage. The SA Post Office Museum are looking at reaching audiences on new platforms including online exhibitions.

SA Museum Archive images: Above: Vintage photograph of a mailman and on the left is a stamp image of a mailman in 1996.

Docex Managing Director's Overview

Docex operates within a niche market providing distribution services of confidential documents to its registered members. It continues to enjoy a dominant position within the distribution of secure and time sensitive documents predominantly within the legal fraternity. Its supremacy is boosted by the Docex' vast presence within the nine provinces together with its unique product offering.

Customer service remains a high priority, guaranteeing an overnight delivery of time sensitive documents between members, sheriffs, and courts etcetera. Docex will intensify the expansion of its footprint and reach ensuring that the future needs of current and future members are catered for

The Covid 19 pandemic together with the current economic landscape and digitization continued to add to the vast pressure on the Docex revenue line; nonetheless emphasis was placed on minimizing costs in order to increase profits.

DOCEX FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2021

Revenue for the year decreased from R38.3 million in the prior year to R34.6 million in the current financial year. This was due to the negative impact of the country's lockdown resulting from COVID-19 pandemic, slightly eroding both the customer base and lowered customer demand. The decrease in revenue of R3.7 million was negated by lower operational costs reported at R30.9million, this reduction in cost was mainly due to lower transport costs. The other non-operating costs were Income tax, finance costs and actuarial gains and losses, these were negated by investment income generated for the year resulting in a negative net impact of R1.5mill against the reported operating profit.

The company reported an increase in profit for the year to R2.3million from R1.6 million in the prior year.

Financial Indicators

- The entity had a net asset position of R13.8 million at the end of March 2021.
- The entity boasts cash and investment reserves of R23 million at the end of the period.
- The quick asset ratio is 1.33 lower compared to the prior year of 1.15; this represents the company's ability to pay its current liabilities as they become due.
- The company's current liabilities decreased by 12% year on year, and current assets decreased by 1% compared to prior year.
- There was an increase in the company's ability to cover its operations from a profit of R1.6 million generated in the prior year to R2.3 million in the current year.

In order to augment the technological offerings within Docex, a Business Modernization strategy is being executed to fast-track and ensure a fully digital set of products and services and new value propositions for both existing and potential new members.

I would like to extend a word of appreciation to the Docex Board of Directors as well as to the SA Post Office for their continuous support over the past year.

Dina Lume
Managing Director, Docex PTY(Ltd)

The Document Exchange (Pty) Ltd Operational Performance

PERFORMANCE ON PREDETERMINED OBJECTIVES AT AS 31 MARCH 2021

Performance Overview

Service Delivery Environment

The annual performance targets have been revised downward due to the trading climate and associated impact of the Covid-19 pandemic. The revised Annual Performance Plan was approved by the Board of Directors and reporting is based on the revised Annual Performance Plan.

Revenue is lower than budget by 23% (R7.7m), and also against prior year by 10% (R3.0m), due to a decrease in excess weight and barcode revenue. Both barcode rolls and excess weight revenue lines are under pressure due to a change in client behaviour with regards to limits on parcels sent, and an analysis of the volumes is currently being conducted. The revenue on excess weight and barcode revenue is demand driven, and there has been a decline in the use of excess weight. The demand is influenced by prevailing economic conditions in addition to the negative impact of the pandemic.

Subscription revenue was lower against budget by 22%, and also by 9% against prior year, subscription revenue continues to be the main driver of revenue.

Transport costs, as the second highest cost contributor, was lower by 45% against budget. This was due to an improved SLA with speed services as well as the decrease in operational activity linked to the pandemic lockdown measures, resulting in the lower costs.

Property expenses continue to reduce resulting from more economically sourced office space in the main centres, and improved negotiated prices for the renewal of leases.

Organisational Environment

Staff expenses which accounts for 63% of total cost was lower than budget by 12%, and by 6% compared to prior year. The staff cost increase was as a result of employee salary adjustment compared to the previous year cost base.

A number of other key positions have remained vacant during the 2020/21FY but are currently moving into the recruitment phase. Staff numbers have reduced by 7 over the financial year to 64 from 71 in the prior year, due to normal attrition, staff going on pension be it normal retirement age or early pension.

Strategic Outcome Oriented Goals

Performance information

Strategic Objectives, Key Performance Indicators planned targets and actual achievements

The Document Exchange Pty Ltd (Docex) is a subsidiary of the SA Post Office which provides for the secure collection and delivery of confidential documents. The strategic objectives over the 2020/21 FY considered seven key strategic objectives focusing Docex on setting the foundation for its transition to being a modern business - and operating model, competing efficiently in a digitised economy, with revenue generated from its digital service and product revenue streams.

The seven strategic objectives identified for the Strategic Plan were:

1. Financial Sustainability
2. Optimised Assets and Infrastructure
3. Customer and Communities First
4. Efficient Systems & Processes
5. Digital Transformation
6. Culture of Excellence
7. Corporate Governance

A total of 12 Key Performance Indicators (KPIs) were set and measured for the 2020/21 FY, aligned towards attaining the strategic objectives. Performance over 2020/21FY has been good considering the Covid-19 pandemic and associated business slowdown, with 9 KPIs achieving 100% of target, and with 3 KPIs not achieving target, with an overall 75% achievement of target.

Strategic Themes	Planned Target	Number Achieved 100%	100% Achievement	Number Achieved 80%-99%
1. Financial Sustainability	3	3	100%	0
2. Optimised Assets and Infrastructure	1	1	100%	0
3. Customer and Communities first	3	2	67%	0
4. Efficient Systems & Processes	2	2	100%	0
5. Digital transformation	2	1	50%	0
6. Culture of Excellence [1]	0	n/a	n/a	n/a
7. Corporate Governance	1	0	0%	0
Total	**12**	**9**	**75%**	**0**

Notes

1. No KPI was set for the Culture of Excellence as strategic objective.

Financial Sustainability

This strategic objective is focused on retaining current and diversifying revenue streams. Docex is a secure distribution service provider to a niche group of customers who frequently send and receive confidential documents. Currently Docex enjoys a dominant market position within this niche segment, particularly within the legal industry, and is positioned within the letter & parcel distribution sector. Docex has a strong market advantage which is enabled by a large closed loop national distribution network, its subscription-based product model and unique back office access at selected South African courts. To date Docex has not had a direct competitor which has further contributed to its dominant position. The dominant position Docex currently holds within the secure document distribution market is however under threat and is currently facing increasing vulnerability to digital alternatives and new market competitors.

The strategic objective comprised of 3 KPIs, which considered the growth in revenue from the previous year, remaining within the allocated cost budget and achieving a projected net profit position. The growth in revenue from previous FY was not achieved, however due to the downward revision of the annual target as a result of the Covid-19 pandemic, the revised target was achieved. The KPIs relating to remaining within the allocated cost budget and achieving a projected net profit position were achieved.

Optimised Assets and Infrastructure

The objective considered optimising the value of the Docex's assets and owned infrastructure and upgrading tools of trade. The strategic objective comprised of 2 KPIs, Due to the downward revision of the APP targets, the expansion of the exchange network target was reduced to 0 for the 2020/21 FY. The upgrading of tools trade KPI was achieved.

Customer and Communities First

The strategic objective considered 3 KPIs for enhancing customer relationships, the number of key customers visited, the resolution of customer queries within 48 hours and conducting a customer satisfaction survey. The target of key customer visits was achieved with 12 customer

engagements. Customer engagements was achieved with visits/virtual meetings conducted to key members and single practitioners, and the resolution of customer queries within 48 hours achieved the planned target.

The KPI for improving customer satisfaction by determining a customer satisfaction level baseline was not achieved due to the poor response received on the survey conducted.

Efficient Systems & Processes

This strategic objective focused on improving the effectiveness of the Docex business processes and operational environment. The strategic objective comprised of 2 KPIs, which considered the mail dispatched standard and the delivery of mail on-time to customers. Both KPIs achieved the reduced targets of 60% with an outcome of 93% and 92% respectively.

Digital Transformation

The strategic objective focuses on the development of an integrated service delivery platform, and considered 3 KPIs, increasing revenue earned from diversified products, launch new products and services and having the eDocex platform business case approved. The increase in revenue from diversified products KPI was achieved. The launching of new products and services was put on hold due to Covid-19 and subdued economic conditions, and focus was placed on existing products. The KPI to have the eDocex business case approved was not achieved.

The Digital Transformation of Docex remains key to its continued future sustainability and relevance. For 2021/22 FY, the implementation of the eDocex platform has remained as a KPI, together with the adding the sourcing of a digital certification and signature solution as an additional KPI.

Culture of Excellence

The goal of the strategic objective is to improve organisational performance and have engaged and high performing employees. No KPI was considered for 2020/21 FY.

Corporate Governance

The strategic objective considered 1 KPI by way of obtaining an Unqualified Audit Opinion by the Auditor General for the 2020/21 FY. The target to have an unqualified audit opinion for 2020/21 FY was not achieved.

Work is continuing with the aim of addressing any outstanding audit matters to improve the audit outcome for 2021/22 FY.

Objective	Goal	KPI Ref	Key Performance Indicator	Annual Performance				
				Target	Actual	Variance	Achieved/ Not achieved	Performance and Reasons for Target Variance/Deviation
1. Financial Sustainability	To be financially sustainable and achieve a positive net financial and cash position	1.1	Growth in revenue from previous FY	-17%	-11%	6%	Achieved	Total operating revenue of R34.5m was generated for 2020/21 FY against a prior year target of R38.3m. Due to the effects of the Covid-19 pandemic, the targets were revised and although revenue for 2020/21 FY is lower than prior year, the target has been attained. The reduced revenue to prior year was as a result of the business slow down associated with Covid-19, impacting barcode sales and excess weight. These products are demand pull and due to prevailing economic conditions, these two products were impacted negatively.
		1.2	Remain within the allocated cost budget	R39.9m	R30.9m	R9m	Achieved	The savings of R9m result from lower transport and rental costs. Transport cost was impacted by lower operational activity whilst rental costs were impacted by a drive to source more economical office space.
		1.3	Achieve projected net profit position	-22%	7%	29%	Achieved	The revised net profit position of -22% was achieved at 7%, a positive variance of 29% on target due to a combination of the revenue and cost factors as indicated in 1.1 and 1.2.
2. Optimised Assets and Infrastructure		2.1	Expand Exchange Network	N/a	N/a	N/a	N/a	Due to the current economic situation the expansion was put on hold, and focus was placed on the existing network to ensure retention.
	Maximise value from a healthy asset and infrastructure portfolio.	2.2	Upgrade of tools of trade at branches	3	3	-	Achieved	Upgrade of computer screens was completed and the annual target attained.
3. Customer and Communities first	Centralised measurable customer interaction: focus on failure.	3.1	Number of key customers visited / engaged	12	12	-	Achieved	Customer engagements were undertaken, telephonically and by way of virtual meetings.
		3.2	% customer queries resolved within 48hrs	85%	93%	8%	Achieved	The target was achieved due to effective management of the customer queries process.

Legend Performance - Achieved / Not Achieved

Not Achieved	Less than 100%	Achieved	Achieved 100%

Objective	Goal	KPI Ref	Key Performance Indicator	Annual Performance				
				Target	Actual	Variance	Achieved/ Not achieved	Performance and Reasons for Target Variance/Deviation
		3.3	Improve customer satisfaction (determine customer satisfaction baseline)	Determine customer satisfaction baseline	-	-100%	Not Achieved	The survey was conducted late November and December 2020 using the Google platform. The response was very poor and we were unable to establish a customer satisfaction baseline.
4. Efficient Systems & Processes	To achieve operational efficiency and effectiveness.	4.1	% of mail dispatched by 09h00	60%	93%	33%	Achieved	The revised annual target was achieved.
		4.2	% of mail delivered to customer on-time	60%	92%	32%	Achieved	The revised annual target was met as route lists were actively managed, and contingency measures put in place where required.
5. Digital transformation		5.1	Increase revenue earned from diversified products (R'000)	231	231	0	Achieved	The revised annual target was achieved notwithstanding being driven by demand pull factors impacted by the prevailing economic conditions.
		5.2	Launch new products and services	N/a	N/a	N/a	N/a	The launching of new products and services was delayed due to impact of Covid-19 and lockdown restrictions.
		5.3	Launch E-Docex platform	BC Approved	Not Approved	Not Approved	Not Achieved	The revised target of having an eDocex Business Case approved was not achieved. Focus on the implementation of the eDocex solution remains a priority to the continued sustainability of Docex.
6. Culture of Excellence	Improved Organisational Performance, engaged and high performing employees	No KPI set for the 2020/21 FY						
7. Corporate Governance	Unqualified audit opinion	6.1	Achieve an unqualified Audit Opinion	Unqualified Audit Opinion	Qualified Audit Opinion	Unqualified Audit Opinion	Not Achieved	The annual target to have an unqualified audit opinion for 2020/21 FY was not achieved with a qualified audit opinion issued. Work is continuing with the aim of addressing outstanding audit matters towards improving the audit outcome for the 2021/22 FY.

SA Post Office Subsidiaries

COURIER FREIGHT GROUP (PTY) LTD

The company was incorporated on 19 January 1955 and obtained its certificate to commence business on the same day. The Courier and Freight Group (Pty) Ltd was incorporated in South Africa with interests in the courier services industry. The company operates in South Africa. There have been no material changes to the nature of the company's business from the prior year.

The company recorded a net profit after tax for the year ended 31 March 2021 of R 644 887 (2020: Loss - R166 880).

The Document Exchange (Pty) Ltd

The company was incorporated on 28 August 1995 and obtained its certificate to commence business on the same day. The Document Exchange (Pty) Ltd was incorporated in South Africa with interests in the services industry. The company operates in South Africa. There have been no material changes to the nature of the company's business from the prior year.

Company cash flows from operating activities decreased by more than 100% from R5,931,936 in the prior year to R854,674 for the year ended 31 March 2021.

SAPOS Properties (East Rand) (Pty) Ltd

The company was incorporated on 24 August 1959 and obtained its certificate to commence business on the same day. SAPOS Properties (East Rand) (Pty) Ltd was incorporated in South Africa with interests in the rental of property sector. The company operates in South Africa. There have been no material changes to the nature of the company's business from the prior year.

At 31 March 2021 the company's investment property amounted to R50 775 846 (2020: R 54 270 568), of which R3 494 722 (2020: R 189 432) was reduced through fair value of the property.

SAPOS Properties (Bloemfontein) (Pty) Ltd

The company was incorporated on 30 October 1973 and obtained its certificate to commence business on the same day. The company is domiciled in South Africa where it is incorporated as a private company limited by shares under the Companies Act of South Africa. SAPOS Properties (Bloemfontein) (Pty) Ltd was incorporated in South Africa with interests in the rental of property industry. The company operates in South Africa. There have been no material changes to the nature of the company's business from the prior year.

At 31 March 2021 the company's investment property amounted to R5 584 690 (2020: R5 079 870), of which R504 820 (2020: R 479 870) was added through fair value of the property.

SAPOS Properties (Erf 145018 Cape Town) (Pty) Ltd

The company was incorporated on 29 December 1960 and obtained its certificate to commence business on the same day. SAPOS Properties (Erf 145018 Cape Town) (Pty) Ltd was incorporated in South Africa with interests in the rental of property sector. The company operates in South Africa. There have been no material changes to the nature of the company's business from the prior year.

At 31 March 2021 the company's investment in property amounted to R17 150 485 (2020: R 19 755 653), of which R2 605 168 (2020: R 144 347; 2019: R -) was reduced through fair value of the property.

SAPOS Properties (PE) (Pty) Ltd

The company was incorporated on 28 December 1967 and obtained its certificate to commence business on the same day. SAPOS Properties (PE) (Pty) Ltd was incorporated in South Africa with interests in the rental of property sector. The company operates in South Africa. There have been no material changes to the nature of the company's business from the prior year.

At 31 March 2021 the company's investment in property, plant and equipment amounted to R2 425 758 (2020: R 2 281 222), of which R144 536 (2020: R (118 778)) was adjusted through fair value of the property.

SAPOS Properties (Rossburgh) (Pty) Ltd

The company was incorporated on 28 December 1967 and obtained its certificate to commence business on the same day. SAPOS Properties (Rossburgh) (Pty) Ltd was incorporated in South Africa with interests in the rental of property industry. The company operates in South Africa. There have been no material changes to the nature of the company's business from the prior year.

At 31 March 2021 the company's investment property amounted to R9 685 980 (2020: R 10 230 487), of which R (544 507) (2020: R 580 487) movement through fair value of the property.

SA Museum Archive: Above: Vintage photograph of sorting mail bags and modern (2008) mail sorting bags on the lefthand side photograph.

> “A big part of willpower is having something to aspire to, something to live for.”

Mark Shuttleworth

Part C: Governance

Introduction

The SA Post Office is a State Owned Company (SOC) with a public service mandate to ensure the provision of universal, accessible, reliable and affordable postal services. The provision of these services occurs in line with Universal Service Obligations (USO). The SA Post Office is further required to encourage the development of human resources and capacity building within the postal industry, especially among historically disadvantaged groups.

The SA Post Office Group comprises the following companies: The SA Post Office (SOC) Ltd; The Document Exchange (Pty) Ltd (DOCEX); The Courier Freight Group (Pty) Ltd (CFG); property companies: SA Post Office Properties Companies (Pty's) Ltd: Bloemfontein; Cape Town; East Rand; Port Elizabeth and Rossburgh.

Board of Directors

The Parliamentary Portfolio Committee on Communications and Digital Technologies exercises oversight over the SA Post Office through its Executive Authority, the Minister of Communications and Digital Technologies. The Board of Directors of the SA Post Office which is the Accounting Authority of the SA Post Office is accountable to the Minister.

The SA Post Office appeared before the Portfolio Committee on Communications and Digital Technologies on the following matters: Turnaround Plan of the SA Post Office, Social Grants, Quarterly and Annual Performance reporting; Strategic and Annual Performance Plans. During the reporting period, the SA Post Office also provided written replies to Parliamentary questions on various matters, submitted through the Minister of Communications and Digital Technologies.

EXECUTIVE AUTHORITY

The Minister of Communications and Digital Technologies fulfils the PFMA defined role of Executive Authority over the SA Post Office, and is the sole shareholder on behalf of the South African Government over the SA Post Office.

THE ACCOUNTING AUTHORITY/ THE BOARD

The Board is the Accounting Authority of the SA Post Office and has strategic leadership and proprietorship of the SA Post Office Strategic Plan, Annual Performance Plans and in specific over the process of the payment of social grants.

The Board has approved the Annual Financial Statements, Auditor-General Report as well as the Annual Report for the SA Post Office Group of Companies for the 2020/2021 year.

The Annual General Meeting was held on 31 March 2021 where the requisite statutory approvals in terms of the Public Finance Management Act and Companies Act were made.

COMPOSITION OF THE BOARD

The Board consists of not more than 10 non-executive members and three executive members who are the following: the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the Chief Operations Officer (COO).

Ms Tia van der Sandt (from 25 October 2019)

Tia van der Sandt is acting Chairperson of the Board of Directors at the SA Post Office. She holds B.Compt Hons from Unisa, a postgraduate diploma in auditing from Unisa, a BSc (ITM) degree from Unisa, and completed the Board Leadership core program at the Gordon Institute for Business Science.

She has extensive experience in the development of financial strategies, directing annual budgets and forecasts, and financial systems. She also has in-depth experience of risk methodologies, identifying and resolving revenue leakage, and maximising the accuracy of financial information gained through technological systems.

She is a founding member and current CEO of Equity Assure

and, prior to the founding of Equity Assure, was employed at BCX as Senior Manager: Financial Excellence.

Ms Colleen Makhubele (25 October 2019 until 23 October 2020)

Colleen Makhubele holds an Honours degree in IT Engineering from the University of Malaysia, an MBA from Milllpark University, and a diploma in project management from Unisa.

She is a founding members of the Msumbe Group of companies and currently is CEO of the Group's ICT, Energy and Manufacturing portfolios. Previously she led the establishment of the project management office for the Universal Services and Access Agency of South Africa (USAASA).

Mr Bonolo Ramokhele (CA) SA (04 March 2020 until 12 June 2020)

Bonolo is a qualified Chartered Accountant and businessman and CEO at Differentia. Bonolo has lectured financial reporting and management accounting at the University of South Africa as well as guest lectured entrepreneurship at Wits University. He was recognized by SAICA as one of the top 35 Chartered Accountants under 35 in South Africa.

He has recently been appointed by the Deputy President of the Republic, Mr David Mabuza to serve as a trustee of the South African National Aids Council Trust. He has also been appointed by the MEC of Education of Gauteng, Mr Panyaza Lesufi to serve as a board member of the Matthew Goniwe School of Leadership and Governance and chairs the Audit and Risk committee of the Board.

He also serves on the South African Institute of Chartered Accountants board, chairing the HR committee and participating in the Digital Transformation and Governance committee. He also serves on the boards of the SA Post Office as appointed by the Minister of Communications and Digital Technologies and City Power the City of Johannesburg's Power Utility.

Bonolo holds a Bachelor of Accounting and a Higher diploma in Accountancy (CTA) from University of Witwatersrand

Col Sipho Luyolo Majombozi (from 01 September 2020)

Sipho Majombozi has extensive experience in leadership at executive and board level, both in government and in the private sector. He is a director of Tourvest Integrated Tourism Group, and chairperson of the NHC Heritage Funding Committee. He is a member of the SA Institute of Directors.

He has a B. Ed. Degree from the University of Melbourne with post graduate diplomas in Educational Administration and in Curriculum Studies from the University of Melbourne, as well as Senior Executive Program from Harvard and Wits Universities.

Ms Nolitha Pietersen CA (SA) (from 01 Sept 2020)

Nolitha Pietersen has a Master of Business Administration (MBA) from the NMMU Business School. She is a registered Chartered Accountant and has BCom (Accounting) from University of Fort Hare and a BCom (Accounting) Honours from the University of Johannesburg.

Ms Pietersen is Chairperson of the SA Post Office Audit and Risk Committee as well as a member of the Investigations and Disciplinary Committee and member of the Governance and Ethics Committee and Chairperson of SITA and Mayibuye Transport Corporation and a member of the Audit Committee member of Postbank. She is also Chairperson of the Association for Black Accountants of Southern Africa Eastern Cape region.

Ms Pietersen is a Board member of Mayibuye Transport Corporation and Committee Chair of the Risk Management Committee of the Eastern Cape Development Corporation.

She is managing director and lead consultant for Zamindlela Consulting and Director of Business Development at Building Sup- plies Direct, and was head of Trading Enterprises/ Enterprise Development at Ntinga OR Tambo Development Agency.

Adv Emmanuel Tladiametse Lekgau (from 01 September 2020)

Emmanuel Tladliametse Lekgau has an LLB from the University of Pretoria, Master of Laws (LLM) with specialisation in labour and social security from Unisa, and a Master of Laws (LLM) from the University of Pretoria, specialising in Corporate Law.

He also has a post graduate diploma in Compliance from the University of Johannesburg, as well as banking and financial markets law and social security law from the University of Witwatersrand.

He is an admitted attorney of the High Court of South Africa and has years of experience working in the financial services sector as advisor and lawyer. He is currently responsible for the Legal and Compliance Unit of the Government Employees Pension Board.

Mr Sandile Phillip CA (SA) (01 September 2020 until 06 August 2021)

Sandile Phillip has an Honours Degree in Accounting Services from Unisa and a Bachelor's Degree in Commerce from Nelson Mandela University.

He has extensive experience in the banking industry and currently heads a specialist team in First National Bank, assisting corporate clients with leveraged finance and working capital solutions. Before joining FNB he was employed at British American Tobacco as a project accountant.

Amb Mavivi Myakayaka-Manzini (from 01 September 2020)

Mavivi Myakayaka-Manzini has an MA in Developmental Studies from the Institute of Social Studies in the Netherlands, specialising in woman and development. She also has a BA degree in political science, sociology and developmental studies from the University of Zambia.

She was special advisor to the Minister of International Relations and Cooperation (DIRCO) and before that, South African high commissioner in Namibia. She has continuously played a leading role in promoting gender equality and human rights in South Africa, in particular in the years leading up to democracy.

Mr Sipho Nkese (from 25 October 2019)

Sipho Nkese is currently employed as Senior Manager: Corporate Services at the Mmabana Arts, Culture and Sports Foundation in the North-West Province. His focus area is Human Resources management, and he holds an Honours Degree in Human Resources and Labour Law.

Sipho has 23 years of experience in Human Resources in various fields. His experience in the private and public sector includes dealing with highly unionised environments. The organisations ranged from 100 to more than 30 000 employees and he has extensive experience in negotiations with trade unions and led skills retention and attraction strategies at various organisations.

He is no stranger to the postal environment, having been Group Executive Human Resources at the SA Post Office from September 1995 to January 2006.

Ms Nondumiso Ngonyama (from 25 October 2019)

Nkosikazi Nobhongo Ngonyama is a mother of 4 beautiful children and an admitted Attorney by Profession, a Director at N P Ngonyama and Associates Attorneys. She is a member of the National House of Traditional Leaders (NHTL), she serves as the Chairperson of the Justice, Crime Prevention and Security Committee. She is also the Committee Member of the following Committees, namely Land and Agriculture Committee, and Social Development Committee in the NHTL.

Ms Ngonyama has made it her mission to empower women especially, rural women regarding their rights, paying particular attention on customary laws.

She is also a member of the Eastern Cape Provincial House of Traditional Leaders and a Chairperson of the Rules and Ethics Committee and also serving in Legislation and Crime Prevention Committee.

Nkosikazi Nobhongo Ngonyama because of her dynamism she is serving her Country in different fields which are:

Member of the Ministerial Advisory Council on Annexed Court Mediation, Ministry of Justice; Member of the South African Judicial Education Institute under the leadership of the Chief Justice of South Africa, serving in the Planning and Curriculum Committee; Member (Non-Executive Director) of the SA Post Office, serves as the Chairperson of the Stamp and Advisory Committee and a Member of Human Resources and Remuneration Committee; Member (Non-Executive Director) of the Eastern Cape Rural Development Agency serving in Human Capital and Remuneration Committee and also serving in Finance Projects and Investments Committee.

Mr Kgamedi Albert Ramoadi (from 25 October 2019 to 20 August 2020)

Mr Ramoadi is an experienced practitioner in National Network Property Networks, Operational Site Acquisition Expert and in Project and Collocation Coordination. Mr Ramoadi has a BComm degree in Public Procurement Management, National Diploma in Accounting, National Diploma in Public Administration and a Diploma in Operations Management.

Mr Sontaga Mantlhakga (from 25 October 2019 to 20 August 2020)

Mr Mantlhakga is an experienced officer in labour and union matters. He occupied many SENIOR leadership roles in the Communication Workers Union (CWU), and various roles in the ANC Structures. Mr Mantlhakga was also previous Chairperson of the Van Velden Hospital Board, Member of MICTSETA Board, Exco member of MICT Board, Telkom Retirement Fund Trustee and lectures part-time at MANCOSA. Mr Mantlakga has an MBA, Post Graduate

Diploma in Business Management, Certificate in Business Management, and a senior Primary Teacher's Diploma.

Mr Dawood Dada

Dawood Dada was appointed as the Group Company Secretary with effect 01 August 2017. Previously he was the Board Secretary and Manager in the Office of the National Director of the CCMA.

Mr Dada is a seasoned manager with experience in defense, acquisition, human resources and labour relations. He is a qualified Chartered Secretary and an Associate member of the Institute of Chartered Secretaries Southern Africa. He holds a Master's Degree in Management and Public and Development Management, a Post Graduate Diploma in Labour Law and a BComm Degree with specialisation in Human Resource Management.

Board Committees

The statutory committees of the Board are: Audit Committee and Risk Committee (ARC); Human Resources, Remuneration, Transformation and Performance (HRTTP) Committee and, Social and Ethics Committee. The Board may establish committees to assist it in its work and the following committees have been established in this regard: the IT Governance Committee, the Strategic Turnaround Committee and Procurement Committee (ITSTP), the Postbank Transition Task Team Committee (PTTT), and the Stamp Advisory Committee (SAC).

AUDIT COMMITTEE AND RISK COMMITTEE (ARC)

The SA Post Office Audit Committee and Risk Committee was established in terms of section 51(1)(a)(ii) of the Public Finance Management Act No 1 of 1999 (PFMA) as amended and relevant Treasury Regulations, and in accordance with the SA Post Office Memorandum of Incorporation. As a major public entity in terms of Schedule 2 of the PFMA, SA Post Office is required to establish an Audit Committee. The Audit Committee and Risk Committee is responsible for, evaluating the Group's financial statements which is provided to Parliament and other stakeholders. The committee also monitors, evaluates and advises the Board on the adequacy of risk management processes and strategies within the Group and recommends the approval of risk policies to the Board.

HUMAN RESOURCE, REMUNERATION, TRANSFORMATION AND PERFORMANCE COMMITTEE

The Human Resource, Remuneration, Transformation and Performance Committee was established in accordance with the SA Post Office Act, section 14(2) (a) (i) and (ii) during the financial year. The committee monitors compliance with relevant labour and employment legislative matters and recommends approval of significant human resources related policies to the Board.

IT GOVERNANCE, STRATEGIC TURNAROUND AND PROCUREMENT COMMITTEE (ITTSTP)

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 Committee is responsible to the Board for overseeing the overall strategic planning, budget and reporting process, stewardship and related reporting. The Committee is further responsible to exercise oversight on initiatives implemented in order to address strategic issues identified from time to time, and also considers for recommendation to the Board certain procurement matters that falls within the delegation of the Board.

STAMP ADVISORY COMMITTEE

This is an advisory committee which has been established to advise the Minister of Communications and Digital Technologies on the South African annual stamp issue program and related issues. The Committee is made up of specialists in philately and SAPO Board representation.

SUBSIDIARY COMPANIES

DOCUMENT EXCHANGE GROUP (DOCEX) BOARD

The Document and Exchange Group (DOCEX) is an operating subsidiary company of the SA Post Office. DOCEX has its own Board of Directors which is accountable to the SA Post Office Group which is the sole Shareholder. The company provides a secure and expeditious delivery of documents, letters and parcels or postal articles within the country.

THE COURIER AND FREIGHT GROUP

During the period under review, the Courier and Freight Group was inactive.

Board/Committee Meetings 1 April 2020 to 31 March 2021

Name	Surname	Initial	Title	Board	Audit & Risk	Social & Ethics	HRRTP	It Gov Stp Proc	Stamp Advisory Committee
Catharina Maria	van der Sandt	CM	Ms	40 of 40	15 of 15	2 of 5	1 of 6	12 of 13	0
Nondumiso Pumela	Ngonyama	NP	Ms	40 of 40	5 of 15	0	6 of 6	0	2 of 2
Sipho Thomas	Nkese	ST	Mr	38 of 40	14 of 15	4 of 5	6 of 6	0	2 of 2
Emmanuel Tladiametse	Lekgau	ET	Mr	20 of 40	14 of 15	3 of 5	6 of 6	0	0
Sipho Luyolo Mtika	Majombozi	SLM	Mr	22 of 40	0	3 of 5	0	5 of 13	0
Yvette Lillian	Myakayaka-Manzini	YL	Ms	23 of 40	0	2 of 5	6 of 6	4 of 13	0
Sandile	Phillip	S	Mr	24 of 40	0	0	0	5 of 13	0
Nolitha	Pietersen	N	Ms	23 of 40	13 of 15	3 of 5	0	0	0

Name	Surname	Initial	Title	Board	Audit & Risk	Social & Ethics	HRRTP	It Gov Stp Proc	Stamp Advisory Committee
Tshikani Colleen[1]	Makhubele	TC	Ms	26	1	-	5	7	-
Kgamedi Albert[2]	Ramoadi	KA	Mr	13	1	2	-	6	-
Sontaga[3]	Mantlhakga	S	Mr	16	1	-	-	7	-
Bonolo Molemo[4]	Ramokhele	BM	Mr	4					
Ms MH Martin	Martin	MH	Ms	0	0	0	0	0	2 of 2
DJ Wigston	Wigston	DJ	Mr	0	0	0	0	0	1 of 2

- HRTP – Human Resource, Remuneration and Transformation Committee
- IT GOV STP PROC – Information Technology Governance, Strategic Planning and Procurement Committee

[1] Terminated 23 October 2020
[2] Resigned 20 August 2020
[3] Resigned 20 August 2020
[4] Resigned 12 June 2020

Risk Management

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

The SA Post Office adopted a Risk Management Policy that is aligned to the National Treasury Risk Management framework with the aim of institutionalising risk management within the organisation. The Board through this policy has duly accepted accountability for risk management across the Group and has additionally established a board sub-committee to monitor risk and compliance within the organisation. The Policy is aimed at:

- Ensuring the deployment of a common risk management operating standard across operational activities within SA Post Office:
- Ensuring the timely identification and measurement of risks across the organization as well as the deployment of appropriate mitigation strategies;
- Continuous identification of risks that would negatively impact the functioning of the organization, therefore allowing risks or opportunities to be managed effectively.

The SA Post Office's risk exposure increased significantly in the past year primarily due to the unanticipated long term effects of the Covid19 pandemic. The consequential Financial Risks have placed the SA Post Office in a vulnerable position exacerbated by the inability to mitigate external risks expeditiously. The twin peak effects of loss of productive working hours resulting from hard lock down restrictions and further crippling reduction of mail volumes, that has up to now remained key revenue driver, have had a devastating consequence on the organisation.

The adjustment of Covid19 lockdown levels combined with declaration of certain services in the SA Post Office as essential services under the Covid19 controlling regulations and incorporation of a Turnaround Recovery Plans, allowed some mitigating actions although relative to our national socio-economic environment did not favor the SA Post Office risk exposure to acceptable levels. The continued awareness of risk exposure within these challenging times has contributed positively to the SA Post Office's risk maturity and ability to adjust mitigations. The following risks through the Corporate Plan with further extension in the Turnaround Plan still continues to plague the SA Post Office.

Initiatives through the strategic turnaround plan provides the means to minimize risk exposure although the dependency on financial resources constrains the SA Post Office implementation that further impacts on our risks management and ability to manage our liquidity position. Critical enablers towards the successful mitigation of identified risks are the following amongst others:

- Funding
- Leadership capacitation and stabilization
- Commercial/Sales strategy and resourcing.
- Effective sales structure
- Revenue retention, growth substitution strategy for profitability
- Ability to retain and attract skills to enhance capacity
- IT Infrastructure refresh and investment (e-enablement)
- Up-skilling, Re-skilling, skills attraction and retention
- Focus on clean governance, compliance and audit outcome.

CONTROL	Very High	High	Medium	Low
Excellent	25	12	9	4
Good	50 (R7, R8, R9, R10, R11)	24	18	8
Satisfactory	75 (R1, R2, R3)	36	27	12
Poor	100	48 (R4)	36	16
Ineffective	125	60 (R5, R6)	45	20

INHERENT RISK

UNACCEPTABLE RISK LEVELS

RESIDUAL RISK VALUE		TOLERANCE	APPETITE
60-125	Very High	Unacceptable	unacceptable
50 - 59	High	Unacceptable	unacceptable
45 - 50	High	Tolerable	Acceptable
16 - 44	Medium	Acceptable	Acceptable
4 -15	Low	Acceptable	Acceptable

No	Risk Name	Rank	Value
R1	Sustainability Risk inclusive of Going Concern	1	75
R2	Competition and digital substitution	2	72
R3	Service Delivery Risk and poor Client Value Proposition/ Brand value Erosion	3	70
R4	Bloated and ineffective organisational structure	4	63.8
R5	Human Capital and Change Risk	5	63.6
R6	Governance Risk	6	62
R7	Aging Infrastructure	7	55.8
R8	IT Related Risks	8	52
R9	The SA Post Office Tax compliance status	8	52
R10	Criminality: Fraud and Theft	9	50.8
R11	Execution Risks and Operational inefficiencies	9	50.8

RISK FINANCING

Insurance mitigates against damage or loss incidents as a result of unforeseen events. To this extent, external insurance cover is taken by transferring some operational risk to third parties in the insurance market.

RISK CONCLUSION

The past year under review was extremely challenging. Although response strategies were developed for the organisation to claw back lost market share, the capital required to fund those strategies is enormous and has proved almost impossible to be funded out of operations. The delay in securing funding resulted in a deferred strategy implementation. High risk exposures that remained unmitigated are: Financial Sustainability, Impaired brand value due to diminished trust due to poor customer experience, Competition, Operational inefficiencies, Ageing and decayed infrastructure, Human Capital Risk and USO and other non-commercial initiatives. These have been brought forward into the current year's risk register as they are still relevant.

Social and Ethics Committee Report

The Social and Ethics Committee ("the Committee") is constituted as a statutory committee of the Board under section 72(4) of the Companies Act (read together with Regulation 43 of the Companies Regulations).

The King IV Code requires that the Social and Ethics committee should be responsible for oversight and reporting on organisational ethics, responsible corporate citizenship, and sustainable development and stakeholder relationships.

The report describes how the committee discharged its responsibilities in respect of the financial year ended 31 March 2021 and it will be presented to the Shareholder at the 2021 Annual General Meeting (AGM).

Furthermore, the Social and Ethics Committee Charter was formally adopted by the Board with the intension of guiding the Committee to perform its oversight role in an ethical and properly governed manner. The Committee also developed or reviewed policies, governance structures and existing practices which guided the Group's approach to new and emerging challenges.

The role of the Committee is, having regard to any relevant legislation, other legal requirements or standards of best practice, to monitor the following activities:

- Social and Economic Development, including the Company's' standing in terms of the goal and purposes of:
  - The Organisation of Economic Co-operation and Development (OECD) recommendations regarding corruption;
  - The Employment Equity Act (EEA); and
  - The Broad Based Black Economic Empowerment Act (BBBEE).
- To ensure that SAPO is and is seen to be a good corporate citizen by the:
  - Promotion of equality, prevention of unfair discrimination and reduction of corruption;
  - Contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominately marketed; and
  - Recording of sponsorships, donations and charitable giving.
- The Environment, Health and Public Safety, including the impact of the company's activities and of its products and services;
- Consumer relationships, including the Company's advertising, public relations and compliance with consumer protection laws;
- Labour and employment policies and practices of SAPO, including:
  - The Company's standing in terms of the International Labour Organisation (ILO) protocol on decent work and working conditions; and
  - The Company's' employment relationships and its contribution toward the educational development of its employees.
- Ensuring that ethics is managed effectively (as recommended in principle of King IV report on Governance):
  - Leadership demonstrating support of ethics throughout SAPO;
  - Ethical standards are articulated in a Code of Ethics and supporting ethics policies;
  - Ethics performance is included in the scope of internal audit and reported on in the annual report;
  - Ethical risk and opportunities are incorporated in the risk management process;
  - A strategy developed for managing ethics in the organisation;
  - Processes are put in place to ensure that the various stakeholders within the organisation (Board committees and employees) are familiar with and adhere to the SAPO ethical standards; and
  - Ethics is entrenched in the corporate culture of SAPO.
- The Committee investigates, review and resolve any matters arising from the scope of SAPO Code of Ethics, which are reported to the Committee or which it becomes aware of.
- The Committee ensures that policies and procedures required in order for SAPO to perform its responsibilities in respect of social and ethics matters are implemented and reviewed on an annual basis, or as required.

MEMBERSHIP OF THE COMMITTEE

The Committee comprises five non-executive directors (including the Chairperson). Non-executive directors are members of the Committee for a maximum of three years, renewable once

- Adv. Emmanuel Lekgau (Chairperson
- Mr Sipho Majombozi
- Mr Sipho Thomas Nkes
- Ms Nolitha Pieterse
- Ms Yvette Myakayaka Manzin
- The Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Operations Officer (COO), six other group executives are permanent invitees to all committee meetings.

MEETINGS

The Social and Ethics Committee met five times over the reporting period and received reports from management and provided oversight over the key focus areas of the committee.

COMPLIANCE AND REGULATORY MATTERS

The Post Office strives not only to meet the universal standards for postal services but through the oversight role of the Social and Ethics Committee, seeks to improve performance on these standards. In this regard the Committee was able to recommend improvements to customer care standards through the Customer Care Dashboard reports received.

Previously only information relating to OHSA compliance as well as information related to organisational policies has been tabled at the Social and Ethics Committee. In order to provide assurance to the Social and Ethics Committee on organizational compliance, we have attached the following:

Compliance Universe

The Compliance Unit has established the applicable legislation and regulations for the SA Post Office. These have been categorized in order of applicability (core, secondary and pertinent) and further risk assessed in terms of impact to the organisation.

FICA Compliance Risk Management Plan (CRMP)

The FICA CRMP is attached as an example to indicate how each of the applicable acts and regulations would ultimately be unpacked to firstly ensure that relevant BU and individuals are aware of their compliance responsibilities to ensure these are factored into their day to day activities. Secondly, the CRMP is also used to test actual compliance.

PFMA Compliance checklist

This is provided to indicate to the committee, an example of the actual compliance testing for PFMA compliance. Such are produced for each of the Acts tested as part of the approved compliance activity report.

BROAD BASED BLACK ECONOMIC EMPOWERMENT (BBBEE)

The Company status in terms of Broad Based Black Economic Empowerment (BBBEE) continued to be a challenge over the reporting period with a non-compliant rating achieved mainly due to restrictive compliance of BEE policies, ineffective spending procurement processes and being bound multi-year contracts with suppliers.

The SA Post Office needs to score points on Skills development and Socio-Economic Development as low hanging fruits that can increase the B-BBEE score and move the results to a compliant contributor.

For two consecutive financial years the Post Office Group SOC Limited obtained non-compliant BBBEEE ratings. The decline in the ratings from compliant status to the current status is linked to financial challenges that are facing the organization.

Sizeable expenditure towards the realization of training goals, socio economic contributions, and enterprise and supplier development targets is at the center of achieving the BBBEE compliant status.

The current plans to increase the organization's BBBEE status are targeting Skills development, Enterprise development and contributions to Socio-economic development.

ENVIRONMENTAL SUSTAINABILITY

Sustainability unit embraces the UN Sustainable Development Goals (SDGs) as a roadmap for the steady progress of our responsible business. The organization is embarking on the journey to tackle some of the company's most pressing challenges, which serve as the basis for the seven SDGs that have been identified as relevant to our industry.

The report provides details of economic, social and environmental performance and activities for the financial year.

The Group Sustainability Policy was approved during the course of the financial year outlining the following:

1. As the SA Post Office, we are committed to using our sphere of influence to promote environmental awareness and drive behavioural change among all stakeholders, particularly staff and clients.
2. As the SA Post Office we commit that, where carbon or resource targets have been set, a clear strategy and action plan to achieve such targets will be undertaken, and our progress against these targets will be reviewed and progress communicated.
3. The South African Post Office will integrate environmental management into planning and decision making.
4. The SA Post Office will operate in compliance with all applicable legislation and compliance obligations.

ETHICS MANAGEMENT

The Committee maintained a keen eye on ethics and received regular reports on the implemented Ethics Programme and its impact. The following are the essential elements of the Ethics Programme being implemented:

Communications & Stakeholder Relations

The organisation stayed close to political, socio-economic, market and global issues that affect SAPO and in influencing outcomes for SAPOs benefit, thus contribute to economic impact of SAPO.

Track the changes, understand the perspectives of stakeholder groupings, understand the customers fully, and have active dialogue with them in order to influence their actions in favour of SA Post Office, monitors their trends, likes & desires, follow competitors closed and monitor their actions.

Manage media relationships, manages reputation issue with both internal and external stakeholder groupings, influence dialogues and become accessible and accountable as well as use media platforms to update public stakeholders and civil society groupings of 'need to know information' about important developments within the SA Post Office.

Have a close understanding of, and relations with, the shareholder (DCDT), international and continental bodies whose activities have material bearing on, alignment with the Regulatory Authorities, various spheres of government, government departments, and the general public including 'voice-to-public' civil groupings.

STAKEHOLDER DASHBOARD

King IV directs that the following, which the below Stakeholders Dashboard seeks to achieve, should be amongst the disclosures in relation to stakeholder relationships:

- Arrangements for governing and managing stakeholder relationships.
- Key areas of focus during the reporting period.
- Actions taken to monitor the effectiveness of stakeholder management and how the outcomes were addressed.
- Future areas of focus.

Code of Ethics Policy Framework

Purpose of the Ethics Framework is to ensure that:

All employees, irrespective of title, role, rank, or employment type, must know the minimum standard that is required from them as Post Office employees. This document provides principles and guidelines.

EMPLOYMENT EQUITY AND EMPLOYMENT PRACTICES AND POLICIES

The Committee continues to provide oversight over the development of an organisational culture that strives for excellence, where each employee is a brand ambassador that will attract and retain customers.

Key elements that will impact on this will be among others, a decent and conducive working environment; ensuring the right person, with the right skills, in the right position, at the right time and cost.

Growing capability and skills that will ensure an effective succession planning process to attract, retain and grow talent, which will be recognised and rewarded appropriately.

As the most important leverage element, leadership behaviour will be developed and aligned to build organisation resilience and embed the SAPO culture.

The Post Office needs to score points on Skills development and Socio-Economic Development.

Credible scores for these two elements will propel the organization towards a compliant status.

HR EAP

The committee received reports during the course of the financial year to review the Employment Equity so as to ensure the provisions of Employment Equity were adhered to.

The report addressed gaps and possible solutions the organisation was dealing with the assistance of the Employment Equity Plan.

The committee further reviewed compliance on ILO regulations.

Outline the compliance obligations on the Employment Equity Act.

LEGAL/LITIGATION SERVICES

The committee introduced and requested reports from the Legal services unit to address material litigation issues for the attention of the Board.

The committee assisted the unit in developing a Litigation Policy as a guideline to address these material matters.

S&I CRIME OVERVIEW

The unit was responsible with providing an overview of crime related incidents reported within the SA Post Office.

Provide an overview to specifically violent crime incidents and related loss (armed robberies & burglaries) perpetrated against SAPO during the course of the financial year.

PROPERTIES

The committee received reports during the course of the year that addressed the following areas in relation to the condition of the SA Post Office buildings and measures taken to address those challenges

1. Building Condition Assessment - GIAMA
2. An assessment on Rental Arrears and closure of branches as a result
3. Disaster Recovery Plan - Status Reports
4. Solution for Business Continuity

Mr Emmanuel Lekgau
Chairperson – Social and Ethics Committee

Compliance with Laws & Regulations

REGULATORY COMPLIANCE

SA Post Office recognizes compliance as an integral part of governance. It has as such established appropriate structures and processes to ensure adequate and effective adherence to applicable statutes, guidelines, rules and codes.

In order to support their intentions to be a good corporate citizen the organisation has an established a Compliance Function which reports to and advises the Board through the Social, Ethics and Stakeholder Board Committee. The Compliance unit aims to inculcate compliance awareness within the organisation. It is also intended to assist the Board and the organisation with the improvement of compliance management and growing compliance maturity within the organisation.

The Compliance Function has a responsibility to ensure compliance with various legislations impacting on the Organisation, this includes compliance monitoring to detect and correct non-conformances, provide compliance assurance and evaluate the compliance status of the Organisation.

The laws that hold the most significant risk for the organisation relates to, the postal license requirements as determined by ICASA, the FAIS license issued by the Financial Services Board, and other prescripts, including but not limited to:

- Administrative Adjudication of Road Traffic Offences Amendment Act, 24 of 2000
- Broad Based Black Economic Empowerment Act, No: 53 of 2003
- Companies Act No. 71 of 2008
- Financial Intelligence Centre Act, No. 38 of 2001
- Financial Advisory and Intermediary Services Act, No. 37 of 2002;
- Consumer Protection Act, No. 68 of 2008;
- Protection of Personal Information Act, No. 4 of 2013
- Post Office License (ICASA)
- Postal Services Act, No. 124 of 1998
- Public Finance Management Act, No. 1 of 1999 - Public Entities Schedule 3
- South African Post Office SOC Limited Act, No.22 of 2011
- South African Social Security Agency Act

Financial Misconduct

The SA Post Office is a public entity listed in Schedule 2 to the Public Finance Management Act (PFMA). The SA Post Office is thus required to comply with the requirements of the PFMA, related regulations and all instruction notes applicable to all entities listed in Schedule 2 to the PFMA.

In terms of section 51 (1) (b) (ii) of the PFMA, the accounting authority is required to take effective and appropriate steps to, amongst others, prevent irregular expenditure and fruitless and wasteful expenditure. Section 57 (c) of the PFMA further provides that an official of a public entity must take effective and appropriate steps to prevent irregular expenditure and fruitless and wasteful expenditure in their areas of responsibility.

IRREGULAR EXPENDITURE

An accumulated balance of R1.827 billion of irregular expenditure is to be finalised for condonement and regularisation.

FRUITLESS & WASTEFUL EXPENDITURE

An accumulated balance of R518.9 million of Fruitless & Wasteful expenditure is to be finalised for write-off.

FINANCIAL MISCONDUCT COMMITTEE

The Financial Misconduct Committee (FMC) has been established in line with the Public Finance Management Act, 1999, as amended.

Section 51 (b) (ii) as well as 51 (e) (iii) of the PFMA read in conjunction with chapter 33 of the Treasury Regulations requires the Accounting Authority to:

- prevent irregular expenditure, fruitless and wasteful expenditure, losses resulting from criminal conduct, and expenditure not complying with the operational policies of the entity
- take effective and appropriate disciplinary steps against any official who makes or permits any irregular or fruitless and wastefully expenditure.

During June 2021, the SA Post Office FMC was reconstituted to include additional members and function based membership. The FMC is currently in the process of reviewing instances of irregular - and fruitless and wasteful expenditure. Where required, consequence management will be implemented.

Minimising Conflict of Interest

Annually a declaration of interest is completed by SCM officials, these documents are filed by the SCM GE personal assistant in the SCM offices with copies sent to HR in Head Office for record keeping.

The Bid Evaluation Committee (BEC) members complete the declaration of interest prior to evaluation and are kept in the project working file. Project working files are kept at document management office for safekeeping. In the event that a conflict of interest arises, then the member who declares the interest recuses himself/herself from the evaluation process and such interest is recorded.

The Bid Adjudication Committee (BAC) members complete the declaration of interest prior to adjudication of the bids. In the event that a conflict of interest arises, then the member who declares the interest recuses himself/herself from the adjudication of the bid and such interest is recorded. The declaration of the conflict of interest documents are kept with BAC secretariat at SCM.

The Board of Directors (BoD) members complete the declaration of interest prior to adjudication of the bids. In the event that a conflict of interest arises, then the member who declares the interest recuses himself/herself from the adjudication of the bid and such interest is recorded. The declaration of the conflict of interest documents are kept with the company secretariat at Head Office.

All these records are kept for a period of 5 years, in line with regulations as amended from time to time.

Code of Conduct

The Social and Ethics Committee, a sub Committee of the Post Office Board of Directors have in 2021 approved Code of Ethics Policy Framework, which aims to achieve the following:

- All employees, irrespective of title, role, rank, or employment type, must know the minimum standard that is required from them as Post Office employees. This document provides principles and guidelines.
- Employees conduct themselves with both their colleagues and clients in a manner that is professional.
- A common approach is developed, thus enhancing the quality of ethical decisions that are in line with company values, mission and mandate.
- All employees must ensure that they always carry out their jobs in a manner that credits the organisation, taking into account that the Post Office has an important role in the social and business life of South Africa. Thus, decision making and thereby potential risk is improved.
- All employees should take pride in being part of this organisation, living up to the values and ethical integrity, which will lead to a better organization, as well as personal fulfilment.
- Increasing the awareness of ethical requirements through education and training on ethics, including fraud and corruption as well as the resources available to address ethical dilemmas. The intention is to raise ethical awareness and minimise or eliminate ethical risk.
- The Social and Ethics Committee has also approved an Ethics awareness and roll out plan during the same period to ensure:
- The Ethics Implementation Plan supports the strategic intent as set out in the SA Post Office Corporate Plan 2021/22 – 2023/24 and embedding an ethical culture as a foundation to achieving a successful organisation.
- The strategic intent of the activities planned for the 2021/22FY is focused on ethics awareness, setting the tone of ethics within the organisation and preparing the organisation for ethics training across SA Post Office.

Part of the Ethics roll out plan and strategy include developing a barometer the measure the state of Ethics in the organization at regular intervals in order to assess the success of the Ethics interventions and how these contribute to improving the organization and achievement of organizational goals and objectives. Quarterly reports on all activities relating to Ethics and Ethical Conduct is presented to the Social and Ethics Committee for information and strategic oversight.

Occupational Health and Safety

INTRODUCTION

SA Post Office endeavours to act proactively where practical and funds permitting, in order to enable the Organisation, and its subsidiaries, to comply, as legally prescribed and/or required with Occupational Health and Safety (OHS) requirements. SA Post Office has in place an OHS Policy as well as a policy statement approved by the Accounting Officer. To this end, to reduce risks; prevent accidents; incidents and/or injuries from occurring and/or recurring; the necessary committees are in place and the necessary appointments of responsible officials for the various categories as envisaged in the Act are by and large in place.

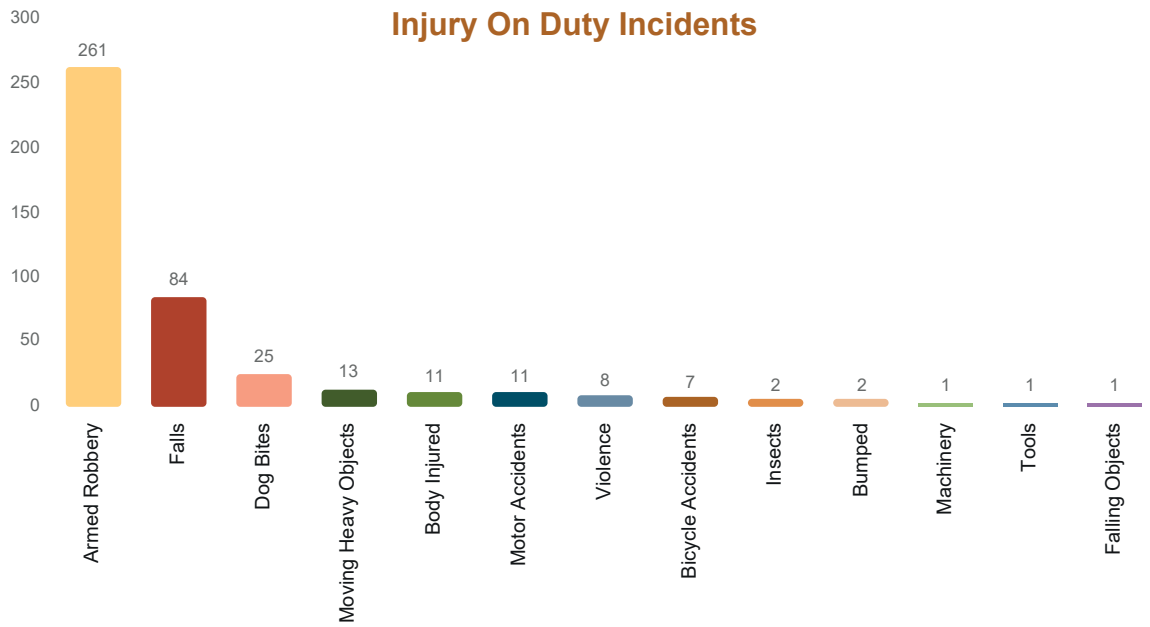
SA Post Office employees are advised to report unsafe conditions and act in order to protect the Organisation against possible criminal-, civil- and vicarious liability and/or prosecution through proactive alerts of OHSA contraventions. Additionally, the COVID-19 pandemic has dramatically altered our working practises in ways we could not have foreseen or imagined.

Occupational health and safety training and workplace manual is developed and rolled out as a preventative measure. Employees are expected to perform their duties in accordance with this company philosophy and follow applicable procedures.

INJURY ON DUTY (IOD) INCIDENTS

A total of 427 IOD incidents were reported for the period April 2020 to March 2021 where armed robberies (61%) and falls (20%) are the highest contributing incidents. The former being primarily due to the nature of the business of handling large sums of cash due to payment of SASSA grants. The graph below depict the incidents reported nationally:

OHS Audit findings concluded that, all OHS representatives inspections are done on monthly bases and findings reported to management. Some of the existing high level exposure areas includes:



- Emergency Evacuation - Evacuation drills, evacuation routes
- Fire Safety - Servicing equipment, sufficient equipment
- Structural Defects - Repair major structural damages, Repair and Maintenance Plans
- Water Supply - Clean water supply in all offices

OHS Services encourage management to conduct regular Planned Task Observations (PTOs)/Job Safety Analysis (JSA) at their work places and perform frequent observations of employees' safety behaviours (Safe/Unsafe acts) and Environment Safe/ Unsafe conditions. This goes a long way towards eliminating preventable injuries and damage to machinery.

Social Responsibility

CORPORATE SOCIAL INVESTMENT

The Corporate Investment Unit aims to develop trust with employees, business partners and, customers we do business with, the Shareholder, civil society and communities in which we do business through sustainable community social investment, greening the environment and supporting the Government's broad based economic development agenda.

The strategic aim of the CSI Unit is to have the SA Post Office recognized as a good corporate citizen and a positive contributor to the economy and the lives of all South Africans.

The work of the Unit entails coordination of and focusing activities in the following areas to the common goal: stakeholder engagement, BBBEE, Environment, Governance, Corporate Social Investment, Regulatory and Human Capital Development.

One of corporate citizenship activities will be to quantify the contribution the SA Post Office is making to the economy and to be awarded a score on the BBBEE on the total the SA Post Office revenue spend.

The SA Post Office is also in a partnership with the non-governmental organization Nal'ibali, which promotes reading in mother languages. The Post Office distributes reading material free of charge to schools and reading clubs nationally.

ENVIRONMENTAL SUSTAINABILITY

The goal of the Environmental Sustainability program is to promote systems that support the three pillars of sustainability: people, planet and profits. Sustainability seeks to balance society's needs against the need for ecological protection and stable economic conditions.

The SA Post Office provides physical delivery services using vehicles, and that has an impact on the environment. Its buildings use electricity and water and its operations use paper and other resources.

Sustainability unit embraces the UN Sustainable Development Goals (SDGs) as a roadmap for the steady progress of our responsible business. We are embarking on the journey to tackle some of the company's most pressing challenges, which serve as the basis for the seven SDGs that have been identified as relevant to our industry.

We are a member of several international organizations and aligned to international standards.

Carbon management

The carbon management is divided into two sections. Scope 1 emissions (direct emissions), are the annual emissions of the transport fleet. The target for scope 1 emissions was met by 21%. The company emitted 6 059 tons for the year under review. This was 12% below the target of 8 040 tons.

Scope 2 carbon emissions (indirect emissions) are derived from the electricity used by the SA Post Office. The target is to reduce energy use by 2.5% per year. The scope 2 target was not met during the year under review with 33 300 tons of carbon emissions emitted, which exceeded the threshold of 29 678 tons by 12,2%.

Energy consumption was 5% worse than the target with 31, 624, 586 Kwh of electricity used throughout the year, despite lockdown and periodic electricity load shedding.

Waste management

The target for paper consumption is a reduction of 2.5% (consume below the threshold of 115 tons) compared to the year before, and for 95% of all paper to be recycled. The paper recycling target of 120 tons of paper was not met with only 18 tons recycled due to lockdown regulations in the 2020/21 FY.

Audit Committee Report

The Audit Committee hereby presents its report for the financial year ended 31 March 2021, in accordance with their roles and responsibilities as outlined in the PFMA (Public Finance Management Act) and the Companies Act.

Members

The Committee is satisfied that the members have the required knowledge and experience as set out in Section 94(5) of the Companies Act and Regulation 42 of the Companies Act, 2011. The members and the number of meetings attended is noted in Part C – Governance.

In addition, the following persons are also permanent invitees to all meetings:

Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Chief Information Officer, Chief Audit Executive, Group Executive: Human Capital Management, Group Executive: Operations, General Manager: Risk Management, Group Executive: Supply Chain Management, Managing Director: DOCEX (The Document Exchange), External Auditors.

Meetings held by the committee

In terms of the Committee Charter, the Committee must meet at least four times a year. Details of the meetings during the financial year under review are disclosed in Part C – Governance.

Responsibility

The Committee has complied with its responsibilities arising from the PFMA, Treasury Regulation and Companies Act. It further also operated in terms of the Committee Charter as its terms of reference in performing all its responsibilities.

Specific focus areas

The Committee continues to monitor, support and actively advice management on:

- Enhancement of reporting on performance information.
- Modernisation of the information technology.
- Improving the control environment, primarily through timely resolution of external and internal audit issues and closing out on critical vacancies.
- Ongoing improvement to the strength of the SCM processes to ensure elimination of irregular expenditure.
- Embedding of a combined assurance model.
- Improving quality of financial and operational reporting and monitoring.
- Internal Audit Function

The Committee is satisfied that Internal Audit has properly discharged its functions and responsibilities during the year under review. The capacity of Internal Audit remains a concern and it requires more specialised skills and financial resources to further improve their effectiveness in providing the required assurance services to Senior Management and the Board.

The Committee continues to support the direction that Internal Audit is adopting in providing the necessary skills and agility required for Internal Audit to respond quickly and effectively to the demands for internal audit across the Post Office's business environment.

Evaluation of the Financial Statements

The Committee has during the financial year 2021 reviewed the Quarterly and Annual Financial Statements at a high level by conducting the following:

- Reviewed the accounting policies and generally recognised accounting practices.
- Reviewed the organisation's compliance with legal and regulatory provisions.
- Reviewed the Accounting officer's report.
- Reviewed the presentation of the statements including notes.
- Reviewed the AGSA management report and management responses thereto.
- Reviewed any changes in accounting policies, changes in estimates and prior period errors, reviewed the information on predetermined objectives to be included in the annual report.
- Reviewed any significant adjustments resulting from the Audit.
- Commentary on Annual Financial Statements prepared by the organisation.

Committee remark on SAPO Control Environment

The Committee had to consider various reports from Internal and External assurance providers (Auditor General, Internal Audit and Enterprise Risk Management) to assess the control, governance and risk environment of SAPO. Essentially, the Committee had to consider the level of assurances to ensure the Post Office can achieve the following primary control objectives:

- Reliable Financial and other reporting.
- Compliance to laws, regulations, policies and procedures.
- Operational efficiency and effectiveness.

It is evident from the various reports received that the control environment and the residual risk rating of the organisation to achieve the latter objectives is medium to high. By implication, the Post Office Accounting Officers must ensure sufficient interventions are undertaken to ensure a control environment that is designed adequately and executed effectively in order to achieve the primary control objectives of SAPO. The unusual late finalisation of the 2020 financial year audit process (March 2021) had an unintended consequence of only leaving Post Office with 2 months to resolve 83 Material Findings in order to improve the audit outcome for the 2021 financial year. It is evident from the audit results for the 2021 financial year that significant strides have been made to improve the audit outcome however; the Committee remains concerned about the residual internal control weakness reported and the efforts by the Accounting Officers must therefore be intensified to resolve any remaining anomalies reported. The Committee will continue to monitor the effective implementation of all audit/management issues to improve the likelihood of an improved audit outcome.

Another material impediment to the current control environment is insufficient resources (human and financial) to achieve a number of control objectives. The latter will remain a significant risk for the medium term whilst the organisation is in a transformation process. The latter issues is the priority agenda item for the Shareholder, Post Office Board of Directors and Executive Directors. Critical vacancies continue to undermine the effective functioning of the system of internal control and it is imperative that the organisation review its recruitment procedures and processes to ensure that vacancies are filled in a timely manner.

It further is of concern to the Committee that the performance targets of the organisation have once again not been achieved however; the Committee note the improved quality and reporting of the targets supported by a more robust review and assessment protocol by line management. This is a strategic focus area that management must continue to place significant effort in the new financial year – this reflects directly on the status of the Strategy and Corporate plan of the South African Post Office.

Lastly, the Committee is concerned over the level of fraud and fraud losses due to weak system and process controls. The Post Office Board have since made some resolutions that should enable key control inefficiencies to be addressed. The matter will be closely monitored for action and improvement.

B-BBEE Compliance Information

The following table has been completed in accordance with the compliance to the BBBEE requirements of the BBBEE Act of 2013 and as determined by the Department of Trade and Industry.

Has the Department / Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following:		
Criteria	**Response Yes / No**	**Discussion** *(include a discussion on your response and indicate what measures have been taken to comply)*
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	No	Not applicable
Developing and implementing a preferential procurement policy?	Yes	Policy submitted and approved by the Board of Directors (BoD)
Determining qualification criteria for the sale of state-owned enterprises?	No	Not applicable
Developing criteria for entering into partnerships with the private sector?	Yes	Policy for partnership still being developed
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	No	Currently no funding capability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"Be careful, think about the effect of what you say. Your words should be constructive, bring people together, not pull them apart."

Miriam Makeba

Part D: Human Resource Management

Introduction

During the year under review, Human Resources completed the following initiatives within the SA Post Office:

- The Strategic Workforce Plan was finalised with a focus on revising SA Post Office structures, skills and qualification audit and staff optimisation.
- Performance management assessment for managers (2020/21) ended on 31 March 2021. Consultation with organised labour on performance management for non-managerial employees is still in progress.
- The Remuneration Strategy was recommended by Exco and submitted to the Board for approval.
- Annual salary increases of 6.5% (2020/21) were implemented (4%) on 1 January 2021 and 2.5% on 1 March 2021 with no back-pay. The back pay matter will be addressed in the new financial year.
- The process to ensure proper management of the post-retirement medical aid subsidy (PRMA) liability continued.
- The conversion of 20% of permanent part-time employees to full-time was implemented on 1 March 2021 in line with the substantive agreement with organised labour. All permanent part-time employees have now been converted to full time.
- In accordance to the Leave Policy employees were required to take statutory leave for the previous leave cycle by 30 September 2020.
- Permanent staff numbers reduced from 16 738 (1 April 2020) to 15 772 (31 March 2021). Non-permanent (1 April 2020) reduced from 250 to 54 (31 March.
- The Employment Equity plan and report have been submitted to Department of Labour.
- The 2019/20 Workplace Skills Plan and Annual Training Report was approved by the CEO and Organised Labour, and was submitted to the Services SETA with 11 252 interventions completed.

NB: the SA Post Office Group figures for March 2021 excludes Postbank

EMPLOYEE WELLNESS

Employee health and wellness is focusing on the employee assistance program (EAP), disability management, occupational health and health promotion.

Employees can access professional assistance for a wide range of personal, and interpersonal work related concerns and challenges and for trauma counselling.

A variety of empowerment workshops and awareness programmes were organised for employees in all our regions. A number of health promotion activities were done based on common health problems identified in the organisation during our medical surveillances and disability assessments. The activities included health talks and health screening.

There was an increase in numbers of disability applications compared to the previous financial year as we are on our third and last year of leave cycle and most employees have depleted their sick leave credits.

The Covid-19 affected the SA Post Office also, not only financially but also with infection of employees. The regional breakdown in Covid-19 cases are depicted in the table below as at 31 March 2021.

Engagement with Labour

REGIONAL BREAKDOWN	CONFIRMED CASES	RECOVERIES	DEATHS	ACTIVE CASES
EASTERN	169	162	5	2
CENTRAL	168	159	2	7
GAUTENG	362	343	16	3
HEAD OFFICE	36	31	4	1
KWAZULU-NATAL	235	227	7	1
NORTHERN	109	106	2	1
WESTERN	250	237	8	5
TOTAL	**1329**	**1265**	**44**	**20**

In 2019 the stakeholders signed a two-year wage agreement for 2019/20 and 2020/2021FY. As part of the agreement, parties agreed to appoint PPTE's (permanent part-time employees) during the two-year period. It was agreed that 80% of the PPTE's would be employed on a full time basis by the end of the 2019 financial year and the balance of the 20% would be appointed in the 2020/21 financial year. The 20% has been converted in the 2020/21 financial year.

The implementation of the increase for 2020/21FY was not done as per agreement. It was only implemented in Jan 2021 and March 2021 respectively. This resulted in back pay being owed to employees and is still due. The rest of the agreement has been implemented with the exception of the Risk Evaluation and Mitigation Strategy (REMS), which is receiving attention.

The company engaged with organised labour on several platforms relating amongst other Covid protocols,

Essential Services

The Labour Court issued a judgment in respect of the SA Post Office's application on essential services. The judgement in summary indicated the following:

- The service identified is in fact an essential service.
- The Post Office is an organisation that carries out an essential service and therefore can invoke the provisions of the applicable legislation.
- Employees identified in the Post Office affidavit are considered to be prevented from striking because they provide an essential service.
- Employees identified in the Order will constitute the providers of the Minimum Service until such time that the parties agree on a different Minimum Services Agreement.
- The process of identification of employees that will constitute the workforce for essential Services is ongoing and not yet completed.
- The matter was remitted to the CCMA essential services committee and the SA Post Office attended several meetings to attempt to reach consensus on the number of employees that must be declared essential services.
- The company submitted the numbers required to perform essential services.

Recruitment and Appointments

Recruitment and Selection continuous to strive to ensure that the right skills are available at the right place at the right time.

During the financial year, recruitment for most vacant positions was put on hold due to the financial constraints of the organisation. However, the process of recruiting at senior executive level is continuing. All other vacant executive positions have been put on hold until the moratorium on appointment is lifted.

The SA Post Office embarked on a process to fill permanent positions within Operations, focusing on Branch Manager, Chief Teller and Teller vacancies. Apart from vacancies caused by natural attrition 90% Branch Manager, Chief Tellers and Tellers have been filled. The filling of these vacancies internally had a positive impact on the morale of the employees.

Approval was granted to advertise the senior executive positions for business continuity amid the moratorium. HR partnered with different search companies to proceed with the three positions (GCEO, GCFO and G.E HR) as they are critical in stabilising the company. The strategic workforce plan initiatives in this area cannot be fully realised as Board and ministerial approval are required and the financial situation of the company does not facilitate any appointments.

Government Project and Job Creation

SASSA Project

Temporary employment contracts for SASSA were terminated with exception of 20 positions in KwaZulu-Natal as the incumbents are still assisting whilst the process of filling teller positions is underway.

Digital Terrestrial Television (DTT) Distribution Project

Cabinet approved a revised delivery model for the DTT project. In order to achieve this target appointment of temporary DTT Tellers is still in process as per business requirements.

Department of Education Project

The project on the distribution of textbooks in Limpopo on behalf of the Department of Education was completed for most of the agreed. All the candidates were sourced from the Department of Labour and Department of Education and a total of 165 people were employed for the duration of the project.

Human Resources Oversight Statistics

STAFF ESTABLISHMENT

The SA Post Office's staff establishment was 18 359 on 31 March 2019; 16 738 on 31 March 2020 and 15826 by 31 March 2021. The 10% in staff decrease during the year under review was as a result of the voluntary severance packages and natural attrition.

Employment changes

Salary band	Employment at beginning of the period	Appointments	Terminations	Internal movement	Employment at end of the period
Top Management	35	1	12	0	24
Senior Management	194	0	21	0	173
Specialist	379	0	48	0	331
Skilled	3109	5	262	0	2852
Semi-skilled	12202	71	596	0	11677
Unskilled	819	0	50	0	769
Total	**16738**	**77**	**989**	**0**	**15826**

During the 2020/21 FY a total of 77 employees were appointed and 989 terminated with no internal movements.

HUMAN RESOURCES INITIATIVES

Strategic Workforce Plan

The strategic workforce plan is a 'continuous work in progress' which informs and is informed by various initiatives regarding the Post Office's 2023 and 2030 strategy.

The plan consists of a demographic analysis of employees on managerial and non-managerial levels. Post Office skills and competencies were matched to future skills and competencies informed by the strategy of 2030, 4th industrial revolution information and industry benchmarks.

Demographic Analysis

A strategic workforce plan has been created to document and understand the gaps of the Post Office's future talent demands in relation to the workforce and as guideline to implement staff optimisation.

An extract of the high-level analysis is included below to create some context for staff optimisation.

The workforce demographics are as follows:

- Employees that will retire within the next 5 years are 703 at an estimated cost R134m.
- The average age for the employees is 44 years which means that SA Post Office has an ageing workforce.
- Employees have an average of 16 years of service.

Ageing workforce and years of service

The SA Post Office has an ageing workforce which means that four to five generations are working together with different values and expectations.

Due to the ageing workforce employees have longer years of service and therefore mentoring and coaching have to be implemented to ensure that skills are transferred from older to younger workers.

The SA Post Office should assist ageing workers with the transition to retirement by offering financial planning and counselling sessions. It is also critical to reskill older workers especially in using technology. Wellness programmes for the ageing workforce becomes critical.

Employment Equity

Employment equity targets are based on the economically active population as set out by Statistics SA. The Post Office strives to recruit, promote and employ categories as set out by these standards.

S.A. POST OFFICE PERSONNEL STRENGTH AS AT 31 MARCH 2021								
	PERSONNEL COMPLEMENT							
CATEGORY PERSONNEL	African		Coloured		Indians		White	
	Male	Female	Male	Female	Male	Female	Male	Female
NATIONAL EAP TARGET	**43,10%**	**36,20%**	**5,20%**	**4,30%**	**1,70%**	**0,90%**	**4,90%**	**3,80%**
EXECUTIVE MANAGEMENT								
TOTAL	**9**	**5**	**2**	**0**	**2**	**0**	**5**	**0**
	39,13%	21,74%	8,70%	0,00%	8,70%	**0,00%**	21,74%	**0,00%**
Under / (Over Representation)	3,97%	14,46%	(3,50%)	4,30%	(7, 00%)	0,90%	(16,84%)	3,80%
	1	**3**	**-1**	**1**	**-2**	**0**	**-4**	**1**
The figures are reflecting an over representation of the Indian and white males. Opportunities exist for the appointment /development of African female, and Coloured females.								
MANAGEMENT (SENIOR MANAGER)								
TOTAL	**23**	**13**	**2**	**1**	**5**	**1**	**14**	**5**
	35,94%	20,31%	3,13%	1,56%	7,81%	**1,56%**	21,88%	**7,81%**
Under / (Over Representation)	7,16%	15,89%	2,08%	2,74%	(6,11%)	(0,66%)	(16,98%)	(4,01%)
	5	**10**	**1**	**2**	**-4**	**-0**	**-11**	**-3**
White males and females, Indian males and females should be guarded for appointment. There is an opportunity for African males and females as well as Coloured males and females. Appointments and development should be considered when the opportunity arises.								
MANAGEMENT (D-BAND)								
TOTAL	**81**	**43**	**14**	**7**	**14**	**3**	**34**	**17**
	38,03%	20,19%	6,57%	3,29%	6,57%	**1,41%**	15,96%	**7,98%**
Under / (Over Representation)	5,07%	16,01%	(1,37%)	1,01%	(4,87%)	(0,51%)	(11,06%)	(4,18%)
	11	**34**	**-3**	**2**	**-10**	**-1**	**-24**	**-9**
White males and females, Indian males should be guarded for appointment. There is an opportunity for African males and females as well as Coloured females. Appointments and development should be considered when the opportunity arises.								
C-BAND								
TOTAL	**810**	**1 144**	**159**	**190**	**92**	**52**	**210**	**242**
	27,94%	39,46%	5,48%	6,55%	3,17%	**1,79%**	7,24%	**8,35%**
Under / (Over Representation)	15,16%	(3,26%)	(0,28%)	(2,25%)	(1,47%)	(0,89%)	(2,34%)	(4,55%)
	439	**-95**	**-8**	**-65**	**-43**	**-26**	**-68**	**-132**
Opportunities exist for the appointment /development of African males. The other groups over represented at this level.								
B-BAND								

S.A. POST OFFICE PERSONNEL STRENGTH AS AT 31 MARCH 2021								
PERSONNEL COMPLEMENT								
CATEGORY PERSONNEL	African		Coloured		Indians		White	
	Male	Female	Male	Female	Male	Female	Male	Female
NATIONAL EAP TARGET	**43,10%**	**36,20%**	**5,20%**	**4,30%**	**1,70%**	**0,90%**	**4,90%**	**3,80%**
TOTAL	**5 109**	**4 426**	**786**	**471**	**212**	**75**	**270**	**406**
	43,46%	37,65%	6,69%	4,01%	1,80%	**0,64%**	2,30%	**3,45%**
Under / (Over Representation)	(0,36%)	(1,45%)	(1,49%)	0,29%	(0,10%)	0,26%	2,60%	0,35%
	-43	**-171**	**-175**	**34**	**-12**	**31**	**306**	**41**
African male and female, Coloured and Indian male are over represented. Opportunities exist for the appointment /development of Coloured and Indian females as well as white males and females.								
A-BAND								
TOTAL	**196**	**495**	**34**	**78**	**2**	**0**	**4**	**9**
	23,96%	60,51%	4,16%	9,54%	0,24%	**0,00%**	0,49%	**1,10%**
Under / (Over Representation)	19,14%	(24,31%)	1,04%	(5,24%)	1,46%	0,90%	4,41%	2,70%
	157	-199	9	-43	12	**7**	36	**22**
African and Coloured females are over represented. Opportunities exist for the appointment /development of African and Coloured males as well as Indian male/female and white male/female.								
ALL PERMANENT EMPLOYEES								
TOTAL	**6 228**	**6 126**	**997**	**747**	**327**	**131**	**537**	**679**
	39,49%	38,84%	6,32%	4,74%	2,07%	**0,83%**	3,40%	**4,31%**
Under / (Over Representation)	**3,61%**	**(2,64%)**	**(1,12%)**	**(0,44%)**	**(0,37%)**	**0,07%**	**1,50%**	**(0,51%)**
	570	-417	-177	-69	**-59**	11	236	-80
Overall African females, Coloured male and female, Indian males and white females are over represented. Opportunities exist for the appointment /development of African males, Indian females and white males at the appropriate levels.								
NON-PERMANENT EMPLOYEES								
TOTAL	**14**	**40**	**0**	**0**	**0**	**0**	**0**	**0**
	25,93%	74,07%	0,00%	0,00%	0,00%	**0,00%**	0,00%	**0,00%**
Under / (Over Representation)	17,17%	-37,87%	5,20%	4,30%	1,70%	**0,90%**	4,90%	**3,80%**
	9	-20	3	2	1	**0**	3	**2**
ALL EMPLOYEES								
TOTAL	**6 242**	**6 166**	**997**	**747**	**327**	**131**	**537**	**679**
Percentage representation	39,44%	38,96%	6,30%	4,72%	2,07%	**0,83%**	3,39%	**4,29%**
Under / (Over Representation)	**3,66%**	**-2,76%**	**-1,10%**	**-0,42%**	**-0,37%**	**0,07%**	**1,51%**	**-0,49%**
	579	**-437**	**-174**	**-66**	**-58**	**11**	**238**	**-78**

Data Source: The EAP targets as reflected in the 2019 QLFS 2rd Quarter, 2019, household-based sample survey conducted by Statistics South Africa (Stats SA).

The EAP targets used is the National targets as a company must reflect the national target in its HEAD OFFICE irrespective of where it is situated.

Employment equity targets are based on the economically active population as set out by Statistics SA. The Post Office strives to recruit, promote and employ categories as set out by these standards. The current situation makes it challenging to reach targets due to financial constraints preventing the up skilling of the current employees, recruit and employ youth and suitable candidates from the previously disadvantaged groups. Lastly the moratorium on appointments also had a great impact.

Below is a summary of equity and remedial actions to address imbalances within the organisation.

Organisational Levels	TOTAL	WM	WF	AM	AF	CM	CF	IM	IF	Males	Females	UNDER/OVER REP
Executives	23	5	0	9	5	2	0	2	0	18	5	There is an opportunity for appointment and development of female employees in the organisation as they are underrepresented at this level.
Management (Senior Manager)	64	14	5	23	13	2	1	5	1	44	20	There is an opportunity for African males and females as well as Coloured females. Appointments and development should be considered when the opportunity arises.
Management (D-Band)	213	34	17	81	43	14	7	14	3	143	70	White males and females, Coloured males, Indian males and females should be guarded for appointment. There is an opportunity for African males and females as well as Coloured females. Appointments and development should be considered when the opportunity arises.
C-BAND	2899	210	242	810	1144	159	190	92	52	1271	1628	Opportunities exist for African males. The other groups over represented at this level.
B Band	11755	270	406	5109	4426	786	471	211	75	6377	5378	Opportunities exist for the appointment /development of Black, Coloured and Indian females as well as white males.
A Band	818	4	9	196	495	34	78	2	0	236	582	Opportunities exist for the appointment /development of Black and Coloured males as well as Indian and white males.
Non Perm	54			14	40					14	40	It should be noted that 50 of these employees are on DTT project and 4 are S32's.
Total	**15826**											

Talent and Succession Management

In the area of talent and succession management a committee should be established to identify high performers and put them on accelerated development initiatives. This might manifest in either formal training to close gaps or understudy process. The focus of this part will be on employees with qualifications but who need exposure.

Learning and Development

Learning and Development strives to develop human capital that is aligned to the Strategic intent of the Organisation, as well as, the requirements of its stakeholders. Various development programs were identified and delivered which was included in the Workplace Skills Plan and Annual Training Report and was submitted to Services SETA during 2020/2021FY. A mandatory grant amounting to R2 120 523.35 was received from SSETA.

Various skills development and compliance related initiatives were planned to support the business strategy. Due to the Covid 19 Pandemic that faced the country additional initiatives and a different way of training had to be implemented. More focus was placed on training staff in the branches by means of Power Half Hour training sessions. The Zoom platform was also used to train and communicate with staff.

Training interventions that were delivered included (but are not limited to) the following:

- Covid 19 training (including awareness and toolkits to support staff)
- Air Cargo Security Training
- Teller training
- Branch managers training
- International Parcel System training (IPS)
- DTT training
- Minute taking courses
- Gender Based Violence training
- FAIS/FICA/Anti Money Laundering refresher training was conducted at all branches
- Illicit behaviour training

A total number of 7 591 employees were trained. An additional 3 092 employees were trained via online platforms (grand total 10 683)

Process followed when implementing external interventions

Currently, Learning and Development section use the 80:20 principle when putting employees through different programmes. The 80% would be the underrepresented categories.

Skills and Qualifications Audit

A skills and qualifications audit process started in the SA Post Office during 2017. The first phase aimed at getting the qualifications of employees captured and vetted. The second phase was focused on skills and competency assessment. Currently (2019-2020) 67% employees submitted skills and qualifications and a drive to reach the remaining 33% of employees is envisaged to start in mid-August. Qualifications have not been vetted due to the current financial constraints on the company.

Two reports were completed and submitted to the Parliamentary Portfolio Committee regarding the skills and qualifications possessed by employees. The reports drafted were:

- Post Office and Postbank managerial report: and
- Post Office and Postbank non-managerial report.

Summary of the skills and qualifications of the workforce (Managerial level)

The SA Post Office has an ageing managerial staff whereby 65% of these employees are between the ages 45-59 years with average years of service of 25-35 years. This corporate memory advantage has to be balanced with the challenge to transform organisation culture.

Critical skills required for the SA Post Office's future strategy

- Banking skills.
- Engineering (Production and Industrial – approx. 17).
- IT skills (e.g. Programming and Project Management).
- Various professional skills (Professional Registrations).
- Data Analysis (Big data and Business Intelligence).
- Organisational Information security skills.
- Customer Services skills.
- Innovation, research and development and product development skills.
- All specialised functions are depleted; however we foresee by filling vacancies and implementing the

learning and development strategy we will address the gaps.

- Development of employees
- Learning and Development Processes
- Learning and Development interventions are implemented according to the needs that are identified by business and which are included in the Workplace Skills Plan. Ad hoc requests (as business evolves) are also prioritised
- A strong focus is placed on Compliance related training
- Secondment of staff to various business units are used as a vehicle to address immediate needs (where such a need is identified and staff meet the minimum criteria)

Learning and Development Offering are as follows:

Learning and Development offerings are informed by the strategic direction of the organisation and are intended to support the organisation to meet its overall strategic objectives.

Employee Relations

The Employer inability to comply with legislative imperatives e.g. OSHA compliance, tools of the trade is putting a strain on the relationship.

Engagement Process

In 2019 the stakeholders signed a two-year wage agreement for 2019/20 and 2020/2021. As part of the agreement, parties agreed to appoint PPTE's (permanent part-time employees) during the two-year period. It was agreed that 80% of the PPTE's would be employed on a full time basis by the end of the 2019 financial year and the balance of the 20% would be appointed in the 2020/21 financial year. The 20% has been converted in the 2020/21 financial year.

The implementation of the increase for 2020/21 was not done as per agreement. It was only implemented in January 2021 and March 2021 respectively. This resulted in back pay being owed to employees and is still due. The rest of the agreement has been implemented with the exception of the REMS, which is receiving attention.

The company engaged with organised labour on several platforms relating amongst other Covid protocols.

Case Management

Management of labour related cases has been relatively stable and was consistently applied.

- A total of 396 misconduct cases were finalised during the year of reporting. A total of 71 cases were still pending at the end of March 2021.
- A total of 82 grievances were received 76 were resolved for the period reporting. As at the end of March 2021. There were 6 pending grievances.
- A total of 203 suspensions were recorded for the 2021 financial year 126 was finalised during the year under review. There were 77 Suspensions pending as at the end of March 2021.
- A total of 107 dismissals were sanctioned for the period reporting.

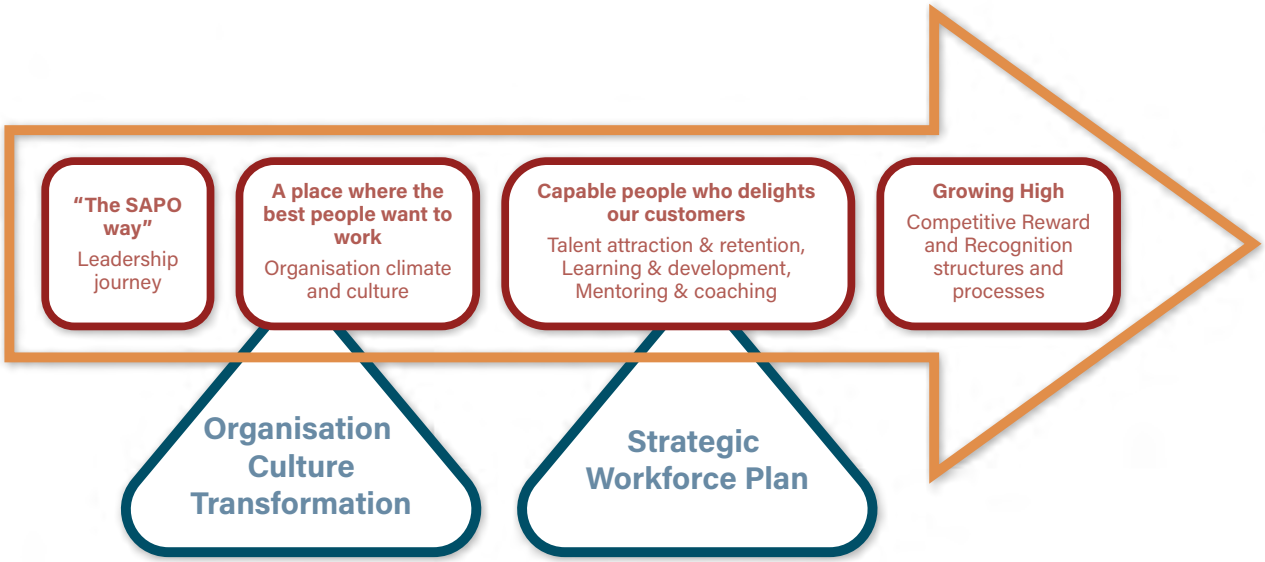
Below is a summary of misconducts; suspensions; grievances and CCMA cases:

Total Finalised Overall Cases per Month 2020 - 2021				
Month	**Misconducts**	**Suspensions**	**Grievances**	**CCMA**
Apr-20	1	0	1	3
May-20	5	0	0	4
Jun-20	16	5	6	7
Jul-20	45	6	6	11
Aug-20	32	4	14	9
Sep-20	27	9	9	9
Oct-20	57	57	6	8
Nov-20	44	11	14	9
Dec-20	31	16	1	8
Jan-21	26	3	3	3
Feb-21	54	5	5	11
Mar-21	58	10	11	5
FY Total	**396**	**126**	**76**	**87**

CONCLUSION

The purpose of the Human Resources strategy is to ensure that SA Post Office has a capable, competent and agile performing workforce to take the Post Office to 2030, and which will embrace the 4IR to optimise the SA Post Office's strategic intent. Since the conversion of casual labour to permanent part-time employment and the conclusion of recognition agreements with organised labour, the SA Post Office workplaces have become significantly more stable.

The diagram below reflects the Human Resources strategic objectives with underpinning enablers.



> “Do your little bit of good where you are; it’s those little bits of good put together that overwhelm the world.”

Desmond Tutu

Part E: Financial Information

Report of the auditor-general to Parliament on South African Post Office SOC Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Disclaimer of opinion

1. I was engaged to audit the consolidated and separate financial statements of the South African Post Office SOC Ltd (SAPO) and its subsidiaries (the SAPO group) set out on pages 118 - 235, which comprise the consolidated and separate statement of financial position as at 31 March 2021, the consolidated and separate statement of profit or loss and other comprehensive income, statement of changes in equity, and consolidated and separate statement of cash flows for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. I do not express an opinion on the financial statements of the group and company. Because of the significance of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated and separate financial statements.

Basis for disclaimer of opinion

Going concern

3. As indicated in the consolidated and separate financial statements, the group and company incurred losses of R2 333 209 000 and R2 331 619 000, respectively, for the year ended 31 March 2021. Furthermore, at that date, total liabilities exceeded total assets by R2 530 855 000 and R2 535 096 000 while current liabilities exceeded their current assets by R4 868 502 000 and R4 842 646 000 for the group and company, respectively. They were further unable to pay their debts as and when they were due. The group and the company were commercially and technically insolvent because they were not able to pay their debts as and when they were due.

4. Note 50 further indicates multiple factors that impact on the assessment of the group and the company's ability to continue as a going concern. However, the group did not adequately disclose in note 50 to the consolidated and separate financial statements, all the principle events and conditions that may cast significant doubt on the group and the company's ability to continue as a going concern, management's evaluation of its significance, and management plan to mitigate the effect of these events as required by IAS 1, Presentation of financial statements.

5. Additionally, a cash flow forecast, together with management assumptions, was not submitted for auditing. Therefore, I was unable to obtain sufficient appropriate audit evidence to confirm the reasonableness of the cash flow forecast and the related assumptions, conditions and events to support management's assessment of the group and company's viability in the foreseeable future. Consequently, I was unable to confirm or dispel whether it is appropriate to prepare the consolidated and separate financial statements using the going concern assumption.

Property, plant and equipment

6. The group did not disclose assumptions and input information required for the revaluation model in accordance with IAS 16, Property, plant and equipment, and the appropriate accounting policy applied to land and buildings, which is the revaluation basis. Consequently, I was unable to determine whether any further adjustments were necessary to land and buildings stated at R1 870 615 000 (2020: R1 828 439 000) in note 3 to the consolidated and separate financial statements.

Investment property

7. The fair values of investment property determined by the group were not in accordance with IAS 40, Investment property as the fair value assessment provided for audit purposes did not have sufficient appropriate audit evidence to support the assumptions made by the public

Report of the auditor-general to Parliament on South African Post Office SOC Limited

entity. In addition, the group did not disclose the relevant fair value information in accordance with IFRS 13, Fair value measurement and IAS 40, Investment property. As a result, I was unable to confirm the assessments by alternative means. I was unable to determine the exact impact on the investment property stated at R307 566 000 (2020: R308 871 000) and R224 897 000 (2020: R220 208 000) in note 4 to the consolidated and separate financial statements.

Deferred tax asset

8. The group did not account and properly disclose deferred tax in the financial statements as required by IAS 12, Income Taxes, due to incorrect accounting treatment. Consequently, the misstatement in the unrecognised deferred tax asset resulted in an understatement by R236 054 160 in note 12 to the financial statements. Additionally, due to the impact of the qualification matters reported, I was unable to obtain adequate assurance that the deferred tax disclosures in note 12 to the financial statements were fairly stated. I was unable to determine whether any adjustments were necessary, as it was impracticable to do so.

Right of use of assets

9. Due to the inadequate status of accounting records and the lack of sufficient appropriate information in support of the reported amount, I was unable to obtain sufficient appropriate audit evidence that right of use assets were properly accounted for. I was unable to confirm right of use assets by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the right of use of assets stated at R631 440 000 and R625 377 000, respectively (2020: R944 755 000 and R937 589 000), as disclosed in note 13 to the consolidated and separate financial statements. In addition, I was also unable to determine whether any adjustments were necessary to depreciation - leased stated at R434 841 000 and R433 382 000 (2020:R352 191 000 and R350 490 000), as disclosed in note 32 to the consolidated and separate financial statements.

Trade and other receivables

10. Due to the inadequate status of the accounting records, I was unable to obtain sufficient appropriate audit evidence that trade receivables had been properly accounted for. I was unable to confirm the trade receivables by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to trade receivables stated at R505 320 000 and R497 847 000 (2020: R531 698 000 and R523 980 000) and loss allowance of R73 130 000 and R69 921 000 (2020:R74 457 000 and R71 114 000) in note 16 to the consolidated and separate financial statements.

11. I was unable to obtain sufficient appropriate audit evidence for other receivables due to the status of the accounting records. The entity did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. I was unable to confirm the other receivables by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to other receivables stated at R1 021 664 000 and R1 020 608 000 (2020: R459 302 000 and R458 969 000) in note 16 to the consolidated and separate financial statements.

12. Due to the inadequate status of the accounting records, I was unable to obtain sufficient appropriate audit evidence that employee costs in advance had been properly accounted for. I was unable to confirm employee costs in advance by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to employee costs in advance at R80 168 000 in note 16 to the consolidated and separate financial statements.

Lease liabilities

13. I was unable to obtain sufficient appropriate audit evidence that finance lease liabilities were properly accounted for, due to the inadequate status of accounting records and the lack of sufficient and appropriate information in support of

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finance lease liabilities. I was unable to confirm finance lease liabilities by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to finance lease liabilities stated at R721 458 000 and R714 915 000, respectively, (2020:R1 037 300 000 and R1 029 191 000), as disclosed in note 13 to the consolidated and separate financial statements, and whether any adjustments were necessary to the finance expense at R72 747 000 (2020:R74 568 000), as disclosed in note 34 to the consolidated and separate financial statements.

Site restoration

14. I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for the valuation of site restoration, as management was not able to support their assumptions, in accordance with IAS 37, Provisions, contingent liabilities and contingent assets. In addition, was unable to obtain sufficient appropriate audit evidence that site restoration was properly classified as non-current and current due to the status of the accounting records. I was unable to confirm site restoration by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to site restoration at R330 769 000 (2020: R269 912 000) in note 21 and R98 152 000 (2020: R63 531 000) in note 3 to the consolidated and separate financial statements.

Trade and other payables

15. I was unable to obtain sufficient appropriate audit evidence in the prior year regarding the following items, which had a cumulative effect from the holding company and subsidiaries within the group on total trade and other payables:

    - Trade payables - R56 764 672
    - Accrued expenses - R8 087 773
    - Other payables - R39 749 443

16. I was unable to confirm trade and other payables in the comparative by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to trade and other payables disclosed in note 23 to the consolidated and separate financial statements. My opinion has been modified because of the possible effects of the unresolved matter on the comparability of the current year's figures and the corresponding figures.

17. I was unable to obtain sufficient appropriate audit evidence that Postbank intercompany creditor included in trade and other payables had been properly accounted for due to the status of the accounting records. I was unable to confirm the Postbank intercompany creditor by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the Postbank intercompany creditor stated at R3 579 290 000 as disclosed in note 23 to the consolidated and separate financial statements.

Funds collected on behalf of third parties

18. Due to the status of the accounting records, I was unable to obtain sufficient appropriate audit evidence that funds collected on behalf of third parties had been properiy accounted for. I was unable to confirm the funds collected on behalf of third parties by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to funds collected on behalf of third parties stated at R381 745 000 in note 26 to the consolidated and separate financial statements.

Services rendered – agency and money transfer

19. Due to the status of the accounting records and information systems, I was unable to obtain sufficient appropriate audit evidence that services rendered - agency and money transfer had all been properly accounted for. I was unable to confirm the services rendered - agency and money transfer by alternative means . Consequently, I was unable to determine whether any adjustment was necessary to services rendered - agency and money transfer consumer stated at R1 351 951 000 as disclosed in note 28 to the financial statements. Since the revenue from services rendered from agency and money transfer affects the

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trade receivables, I was unable to determine whether any adjustments were necessary to the trade receivable and trade and stated at R432 190 000 in note 16, respectively, in the consolidated and separate financial statements.

Other operating expenses

20. I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for other operating expenses, due to the status of the accounting records and non submission of information in support of other operating expenses. I was unable to confirm other operating expenses by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to other operating expenses stated at R1 739 105 000 (2020: R1 878 927 000) and R1 732 235 000 (2020: R1 871 019 000) to the consolidated and separate financial statements.

Discontinued operations

21. During 2020 financial year audit, I was unable to obtain sufficient and appropriate audit evidence for R579 571 781 that is part of the trade and other payables of R5 791 142 220 which is included in discontinued operations, due to the inadequate status of accounting records. I was unable to confirm trade and other payables by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the corresponding figure of trade other payables stated at R5 791 142 220 in note 39 to the consolidated and separate financial statements. My audit opinion on the consolidated and separate financial statements for the period ended 31 March 2020 was modified accordingly. My opinion on the current year consolidated and separate financial statements was also modified because of the possible effect of this matter on the comparability of the discontinued operation for the current period.

Retained income

22. The entity did not present retained income in accordance with IAS 1, Presentation of financial statements. This was due to unsupported adjustments processed to the retained income. I was not able to determine the full extent of the errors in the retained income as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments were necessary to retained income stated at R12 203 133 000 in the consolidated and separate financial statements.

Statement of cash flows

23. The group did not correctly prepare and disclose the Statement of cash flows in accordance with IAS 7, Statement of cash flows. This was due to multiple errors in determining the Statement of cash flows. I was not able to determine the full extent of the errors in the Statement of cash flows as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments were necessary to the statement of cash flows in the consolidated and separate financial statements.

Related parties

24. During 2020, the group did not disclose the related-party transactions in accordance with IAS 24, Related disclosures. The sales to the Postbank SOC Limited were not disclosed in the related-party note. As a result, the sales to the related parties disclosed in note 45 to the consolidated and separate financial statements, were understated by R201 911 000. My opinion has been modified because of the possible effects of the unresolved matter on the comparability of the current year's figures and the corresponding figures.

Comparative figures and prior period errors

25. The group did not disclose comparative figures and prior period errors in note 47 to the financial statements, as required by IAS 8, Accounting policies, changes in accounting estimates and errors. The nature and the amount of the correction for each financial statement item affected, and the amount of the correction at the beginning of the earliest previous period were not disclosed. In addition, I was unable to obtain sufficient

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appropriate audit evidence for the previous period errors disclosed, as the supporting information was not provided. I was unable to confirm these disclosures by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the comparative figures and prior period errors disclosed in the financial statements.

Financial instrument and risk management

26. I was unable to obtain sufficient appropriate audit evidence for the financial instrument and risk management disclosed for the current and prior year, due to the multiple errors affecting the disclosure. I was not able to determine the full extent of the errors to financial instruments and risk management as it was impracticable to do so. I also could not confirm financial instrument and risk management by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the related financial instrument and risk management information, for the current and prior year as disclosed in note 48 to the consolidated and separate financial statements.

Emphasis of matters

27. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Uncertainty relating to the future outcome of litigation

28. With reference to note 44 to the financial statements, the SAPO group is a defendant in a number of lawsuits. The ultimate outcome of these matters cannot presently be determined and no provision for any liability that may result has been made in the consolidated and separate financial statements. The amounts of R704 524 000 and R695 252 000 have been disclosed as contingent liabilities for the group and company respectively.

Material losses

29. As disclosed in note 53 to the consolidated and separate financial statements financial statements, other incidents due to fraud and theft losses of R117 813 000 was incurred.

Responsibilities of the accounting authority for the consolidated and separate financial statements

30. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards (IFRS), the requirements of the Public Finance Management Act 1 of 1999 (PFMA), the Companies Act of South Africa 71 of 2008 (Companies Act), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

31. In preparing the financial statements, the accounting authority is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the consolidated and separate financial statements

32. My responsibility is to conduct an audit of the financial statements in accordance with the International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

33. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants'

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International code of ethics for professional accountants (including International Independence Standards) (IESBA code), as well as the other ethical requirements that relevant to my audit of the financial statements in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

Introduction and scope

34. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify material findings but not to gather. evidence to express assurance.

35. My procedures address the usefulness and reliability of the reported performance information, which must be based on the Auditee's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the Auditee's enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

36. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the auditee's annual performance report for the year ended 31 March 2021:

Objectives	Pages In the annual performance report
Strategic objective 4 – Efficient systems and processes	36

37. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

38. The material findings on the usefulness and reliability of the performance information of the selected objectives are as follows:

Strategic objective 4 – efficient systems and processes

Key performance indlcator 4.2 - maintain network availability uptime at online post office branches

39. I was unable to obtain sufficient appropriate audit evidence for the achievement of 99.37% reported against target 98% in the annual performance report, due to the lack of accurate and complete records. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

40. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material

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findings on the entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

41. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements, performance and annual report

42. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1)(a) and (b) of the PFMA.

43. Material misstatements of current assets, liabilities and disclosure items identified by the auditors in the submitted financial statements were corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a disclaimer of opinion.

Expenditure management

44. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R379 309 000 and R395 252 000 as disclosed in note 51 to the annual consolidated and separate financial statements, respectively, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by the public entity not procuring goods and/or services by means of competitive bidding and deviations not approved at the appropriate delegated level.

45. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R142 834 000 and R142 744 000 disclosed in note 52 to the annual consolidated and separate financial statements, respectively, as required by section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by the group incurring interest charges, penalties and legal fees due to late payment of suppliers.

Consequence Management

46. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure as required by section 51(1)(e)(iii) of the PFMA. This was due to proper and complete records that were not maintained as evidence to support the investigations into irregular expenditure.

47. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred fruitless and wasteful expenditure, as required by section 51(1)(e)(iii) of the PFMA. This was due to proper and complete records that were not maintained as evidence to support the investigations into fruitless and wasteful expenditure.

48. I was unable to obtain sufficient appropriate audit evidence that investigations were conducted into all allegations of financial misconduct committed by officials, as required by treasury regulation 33.1.1.

49. Allegations of theft and fraud which exceeded R100 000 were not reported to the SAPS, as required by section 34(1) of the Prevention and Combatting of Corrupt Activities Act 12 of 2004 (PRECCA).

Asset Management

50. Loans were provided to SAPO Properties: Bloemfontein and East Rand, which were not authorised by the board, as required by section 45(2) of the Co Act.

Strategic planning and performance management:

51. The corporate plan submitted to the director-general of the Department of Communications and Digital Technologies designated by the executive authority, the submission did not include the affairs of the subsidiaries listed below as required by section 52(b) of the PFMA:

- The Document Exchange (Pty) Ltd
- The Courier and Freight Group

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- SAPOs Properties (East Rand) (Pty) Ltd
- SAPOs Properties (Bloemfontein) (Pty) Ltd
- SAPOs Properties (Cape Town) (Pty) Ltd
- SAPOs Properties (Port Elizabeth) (Pty) Ltd
- SAPOs Properties (Rossburgh) (Pty) Ltd

OTHER INFORMATION

52. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate, as required by the Companies Act 71 of 2008 (Companies Act). The other information does not include the consolidated and separate financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.

53. My opinion on the consolidated and separate financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.

54. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements and the selected [programmes/ objectives/ development priorities] presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

55. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

INTERNAL CONTROL DEFICIENCIES

56. I considered internal control relevant to my audit of the consolidated and separate financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the disclaimer of opinion the findings on the annual performance report and the findings on compliance with legislation included in this report.

57. The leadership and management of the entity did not adequately prepare for the separation of the Postbank in the previous financial year, in order to effectively transfer all assets and liabilities affected by the separation of the Postbank. This resulted in significant differences of financial information disclosed in the financial statements then, as well as delays in submission of related supporting information. Management did not adequately implement their action plan to address these internal control deficiencies.

58. Management did not timeously implement proper record keeping over information they were responsible for, to ensure that complete, relevant and accurate information was accessible and readily available to support credible financial reporting. This also contributed to the significant delays in submission of information and significant limitations in some. Leadership also did not exercise adequate oversight in this regard.

59. Management made significant use of suspense accounts that are not regularly reviewed and reconciled. Where supporting listings were made available, management had not always acted to ensure that long-outstanding items were reconciled and cleared. The use of manual reconciliations coupled with a lack of assurance processes not implemented in time to ensure that information was

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accurate and complete, resulted in a number of limitations and errors being experienced and identified.

60. The design and implementation of formal controls over information technology systems requires further improvement to ensure the reliability of the systems in terms of availability, accuracy and protection of information.

61. Management did not ensure that the controlling entity has sufficient capacity to plan, manage and report on its financial and performance management.

MATERIAL IRREGULARITIES

62. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit.

Material irregularities identified during the audit

The material irregularities identified are as follows:

Lack of implementation of effective controls on the SASSA beneficiary payment system (IGPS)

63. In the 2019-20 financial year, SAPO SOC Ltd did not implement effective controls and risk management processes on the grant payment system, resulting in various internal control deficiencies relating to the management of the integrated grant payment system (IGPS) used to manage the SASSA grant beneficiary payments, as required by PFMA section 51(1)(a)(i).

64. This resulted in material financial losses for the group, as already included in the material losses suffered disclosed in note 53 to the consolidated and separate financial statements in the form of further unauthorised and fraudulent transactions. The non-compliance is likely to result in further material financial losses for the group of further unauthorised and fraudulent transactions if the control environment is not improved.

65. I notified the acting accounting authority (AA) of the material irregularity on 12 November 2020, and provided them with an opportunity to respond. The AA responded on the 16 February 2021 and indicated that they are not the appropriate AA, and therefore cannot take any action as an agreement was reached to transfer ownership of the IGPS system from SAPO to Postbank SOC Ltd effective from 08 January 2021 in line with transfer of the Postbank division from the group to its own stand-alone entity which is not consolidated.

66. The written representation received was further assessed against the requirements of 51(1)(a) (i) of the PFMA and an assessment of the responses to the internal control deficiencies identified contained indicators of fraud were prevalent in the internal control deficiencies identified.

67. I therefore referred the material irregularity to the Directorate for Priority Crime Investigation (DPCI) on 15 November 2021 for investigation as provided for in section 5(1A) of the PAA.

Proper data security controls were not implemented over the issuer master key used in SASSA beneficiary payment system

68. In the 2019-20 SAPO financial year various internal control deficiencies on the integrated grant payment system (IGPS), a system used to manage the South African Social Security Agency (SASSA) grant beneficiary payments were identified.

69. SAPO failed to maintain an effective system of internal control over the customer banks cards that were issued by Postbank SOC Limited (formerly Postbank Division of SAPO) required by Section 24.1(a) of the SAPO groups information technology policy which requires the use of encryption of information to protect sensitive or critical information, either stored or transmitted, to achieve confidentiality. This resulted in non-compliance with PFMA section 51(1)(a)(i). This non-compliance was identified while Postbank was still a division of SAPO.

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70. The Postbank division was overall responsible for encryption of the issuer master key. Subsequently, Postbank was established as a separate entity, SA Postbank. The responsibility for the issuing and managing of the SASSA cards was transferred to SA Postbank, with all the rights and obligations. An amount of R13 579 174,60 inventory balance was written off relating to the customer banks cards as they did not comply with minimum requirements set by The South African Reserve Bank (SARB), the non-compliance resulted in a material financial loss of R13 579 174,60.

71. The accounting authority was notified of the material irregularity on 12 November 2020 and invited to make a written submission on the actions taken and that will be taken to address the matter. The AA responded on the 16 February 2021 and indicated that they are not the appropriate AA as the assets and liabilities relating to the Postbank division were transferred effective 1 April 2019 to a standalone entity Postbank (SOC) Ltd. Based on further assessments of the written submission and limitations encountered, I concluded that I could not resolve the material irregularity with the SAPO accounting authority. For this reason I will no longer pursue this matter in SAPO not as result of not being valid but due to the circumstances that unfolded with this specific MI.

Effective system of internal control were not maintained over the safeguarding of customer bankcards issued

72. In the 2019-20 SAPO financial year SAPO did not maintain an effective system of internal control over the customer banks cards that were issued by Postbank SOC Limited (formerly Postbank Division of SAPO) required by section 4.2.4 and 4.2.6 of the SAPO group card management internal policy which sets out the requirements of collections and safekeeping of the cards. This resulted in non-compliance with PFMA section 51(1)(a)(i). This non-compliance was identified while Postbank was still a division of SAPO.

73. The non-compliance resulted in a material financial loss of R68 760 420,18. This was as a result of inventory cards that were unaccounted for.

74. The Postbank division was overall responsible for the issuing and managing the SASSA cards. Subsequently, Postbank (SOC) Ltd was established as a separate entity. The responsibility for the issuing and managing of the SASSA cards was transferred to Postbank (SOC) Ltd, with all the rights and obligations.

75. The accounting authority was notified of the material irregularity on 12 November 2020 and invited to make a written submission on the actions taken and that will be taken to address the matter. The AA responded on the 16 February 2021 and indicated that they are not the appropriate AA as the assets and liabilities relating to the Postbank division were transferred effective 1 April 2019 to a standalone entity Postbank (SOC) Ltd. Based on further assessments of the written submission and limitations encountered, I concluded that I could not resolve the material irregularity with the SAPO accounting authority. For this reason I will no longer pursue this matter in SAPO not as result of not being valid but due to the circumstances that unfolded with this specific MI.

Auditor-General

Pretoria
21 December 2021

Directors' Responsibilities and Approval

We as the directors are required by the Companies Act of South Africa to keep accurate and complete accounting records as necessary to enable the Company to satisfy its obligations in terms of Companies Act of South Africa and provide for the compilation of financial statements, and the proper conduct of an audit, of its annual financial statements.

The accounting records required to be kept must be kept in such a manner as to provide adequate precautions against theft, loss or intentional or accidental damage or destruction; and falsification. It is our responsibility to maintain an adequate system of internal financial control that places considerable importance on maintaining a strong control environment.

Our focus of risk management in the Company is on identifying, assessing, managing and monitoring all known forms of risk across the Company by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

We as the directors are responsible for the approval of the annual financial statements in compliance with Companies Act of South Africa, by acting in good faith, in the best interests of the Company, for proper purpose; and with the degree of care, skill and diligence that may reasonably be expected by us.

Based on the legal duties expected of us as described above, we hereby approve the annual financial statements as set out on pages 118 - 235 below, and are signed on our behalf by:

Chief Executive Officer
Nomkhita Mona
31 January 2022

Acting Deputy Chairperson of the Board
Sipho Majombozi
31 January 2022

Directors' Report

The Board has pleasure in submitting their report on the separate and consolidated annual financial statements of South African Post Office (SOC) Ltd and the Group for the year ended 31 March 2021.

1. Incorporation

The Company was incorporated on 30 September 1991 and obtained its certificate to commence business on the same day. The Company's registered address is 497 Sophie de Bruyn street, Pretoria, 0001.

2. Holding company

The group's holding Company is South African Post Office SOC Ltd (SA Post Office) and the shareholder holds 100% (2020: 100%) of the group's equity shares. The SA Post Office is incorporated in the Republic of South Africa.

3. Ultimate holding entity

The Group's ultimate holding entity is the South African Government which is represented by the Department of Communication and Digital Technologies.

4. Nature of business

The South African Post Office was incorporated in South Africa with interests in the communication and services industry. The activities of the Group are undertaken through the Company and its principal subsidiaries.

The Group operates principally in South Africa. The business of the Group is:

- The provision of universal, accessible, reliable and affordable postal services to the people of the Republic of South Africa in terms of the SA Post Office Act No. 22 of 2011 (as amended) and the Postal Services Act No. 124 of 1998 (as amended);
- To provide an infrastructure for the movement of paper and electronic documents between members in various industries and become the preferred delivery partner in the judicial system; and
- To provide courier, freight and related logistical services to citizens and business, within and beyond the South African boundaries.
- To provide agency services.

The business of the Group is conducted through its operations: (Mail and Retail) as well as its operating subsidiaries within logistics, namely the Courier and Freight Group ("CFG") and Document Exchange ("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: Strategic Planning, Finance and Supply Chain Management, Human Resources, Information Technology, Internal Audit, Property Management, Commercial, and Governance and Compliance.

5. Directorate

Directors	Office	Designation	Changes
Mr L Govender	Acting Group Chief Financial Officer	Executive	Appointed Monday, 01 June 2020, resigned Wednesday, 30 September 2020 Re-appointed Friday 01 January 2021
Mr RG Kekana	Acting Group Chief Information Officer/Chief Operating Officer	Executive	Deceased Thursday, 21 January 2021
Ms LO Kwele	Group Chief Operating Officer	Executive	Resigned Sunday, 31 January 2021
Ms R Langa	Acting Group Chief Executive Officer	Executive	Appointed Monday, 14 September 2020, resigned Wednesday, 31 March 2021
Mr ET Lekgau	Other	Non-executive	Appointed Tuesday, 01 September 2020
Mr SLM Majombozi	Acting Deputy	Non-executive	Appointed Wednesday, 02 September 2020
Ms TC Makhubele	Chairperson	Non-executive	Resigned Friday, 23 October 2020
Mr S Manthakga	Other	Non-executive	Appointed Friday, 01 May 2020, resigned Thursday, 20 August 2020
Ms YLM Manzini	Other	Non-executive	Appointed Thursday, 03 September 2020
Ms MH Martin	Stamp Advisory Member	Other	
Ms NP Ngonyama	Other	Non-executive	
Mr ST Nkese	Other	Non-executive	
Mr IA Nongogo	GE: Governance and Compliance/ Executive Group Chief Executive Officer	Executive	Resigned Sunday, 31 January 2021
Ms Z Ntsikeni	GE: Operations and Acting Chief Operating Officer	Executive	Appointed Tuesday, 01 December 2020
Ms S Phillip	Other	Non-executive	Appointed Friday, 04 September 2020
Mr KA Ramoadi	Other	Non-executive	Resigned Sunday, 20 September 2020
Mr BM Ramokhele	Other	Non-executive	Resigned Friday, 12 June 2020
Mr K Ramukumba	Group Chief Financial Officer	Executive	Appointed Thursday, 01 October 2020, resigned Thursday, 31 December 2020
Mr PR Tsotetsi	Acting Group Chief Financial Officer	Executive	Appointed 1 March 2020. Resigned Sunday, 31 May 2020
Ms CM van der Sandt	Acting Chairperson	Non-executive	
Ms N Pietersen	Other	Non-executive	Appointed Saturday, 05 September 2020
Mr DJ Wigston	Stamp Advisory Member	Other	
Prof G Younge	Stamp Advisory Member	Other	

6. Directors' interests in contracts

During the financial year, no contracts were entered into which directors or officers of the Group had an interest and which significantly affected the business of the Group.

7. Certification by Company Secretary

I, Dawood Dada, Company Secretary, herewith certify that the company has filed required returns and notices in terms of the Companies Act, and all such returns and notices appear to be true, correct and up to date.

Company Secretary
Dawood Dada
31 January 2022

Postal address: PO Box 10000
Pretoria 0001

Business address: NPC Building
497 Sophie de Bruyn Street
cnr Jeff Masemola Street
Pretoria
0001

8. Auditors

The Shareholder reappointed the Auditor-General of South Africa as auditor for the Company and its subsidiaries at the Company's previous Annual General Meeting.

9. Review of financial results and activities

The separate and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), the Public Finance Management Act ('PFMA') and the requirements of the Companies Act of South Africa.

The accounting policies have been applied consistently compared to the prior year.

The operating environment remained challenging for the SA Post Office during the current financial year.

The Group recorded a net loss after tax for the year ended 31 March 2021 of R 2,333 million (2020: - R 1,865 million) and a negative net asset value of R 2,531 million (2020: - R 40 million)

Group revenue decreased by 29% from R 4,102 million in the prior year to R 2,931 million for the year ended 31 March 2021. The mail revenue continued to be depressed driven mainly by the decline in mail volumes, logistics volumes and loss of customers. The mail revenue business represents 53% of total Group revenues.

10. Property, plant and equipment, and investment property

There was no significant change in the nature of the property, plant and equipment of the group or in the policy regarding their use.

At 31 March 2021 the group's investment property and plant and equipment amounted to R 2,391 million (2020: R 2,363 million), of which R 42 million (2020: R 68 million) was added in the current year through additions.

There were no significant asset disposals or significant asset write-offs in the period.

The group has commitments in respect of contracts placed for capital expenditure to the amount of R 49 million (2020: R 11 million). Refer to note 43 for details.

11. Dividends

The Company's dividend policy is to consider an interim and a final dividend in respect of each financial year. At its discretion, the Board of Directors (BoD) may consider a special dividend, where appropriate. Depending on the perceived need to retain funds for expansion or operating purposes, the BoD may pass on the payment of dividends. Given the current constrained cash flows of the Company, the BoD has not declared a dividend by the SA Post Office during the financial year ended 31 March 2021 (2020: R0).

12. Fruitless and wasteful and irregular expenditure

As per the requirement of the PFMA, the SA Post Office has formulated a Financial Misconduct Framework to enable the management of financial misconduct activities such as fruitless & wasteful and irregular expenditure. The Financial Misconduct Committee (FMC) is mandated through the Group's financial misconduct policy to regulate, monitor and report on all fruitless, wasteful and irregular expenditure and institute management consequences that need to be

implemented as a result thereof. Irregular expenditure is expenditure other than unauthorized expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation or Treasury Regulation.

Categories of irregular expenditure include:

- Expenditure incurred as a result of non-compliance with a Treasury regulation;
- Expenditure incurred as a result of procuring goods or services by means other than through competitive bids; and
- Expenditure incurred as a result of non-compliance with a requirement of the institution's delegation of authority framework.

All identified irregular fruitless and wasteful expenditure for the group are being investigated with an accumulated balance of R537 million of fruitless and wasteful expenditure as at 31 March 2021 (2020: R394 million). Refer to note 52 for more detail.

All identified irregular expenditure for the Group are being investigated with an accumulated values of R1,827 million of irregular expenditure as at 31 March 2021 (2020: R1,448 million). Refer to Note 51 for more detail.

13. Insurance and risk management

The Group follows a policy of reviewing the risks relating to assets and possible liabilities arising from business transactions with its insurers on an annual basis. Wherever possible assets are automatically included. There is also a continuous asset risk control program, which is carried out in conjunction with the Group's insurance brokers. All risks are considered to be adequately covered, except for political risks, in the case of which as much cover as is reasonably available has been arranged.

14. Special resolutions

No special resolutions, the nature of which might be significant to the shareholder in their appreciation of the state of affairs of the Group were made by the Group or any of its subsidiaries during the period covered by this report.

15. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

16. Going concern

The BoD assessment of the going concern ability of the SA Post Office was based on the guidance of ISA 570 (International Standard on Auditing) which provides that, "Under the going concern basis of accounting, the financial statements are prepared on the assumption that the entity is a going concern and will continue its operations for the foreseeable future. Annual financial statements are prepared using the going concern basis of accounting, unless the Board either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so."

When the use of the going concern basis of accounting is appropriate, assets and liabilities are recorded on the basis that the entity will be able to realize its assets and discharge its liabilities in the normal course of business. Under this guidance the SA Post Office Board has adopted to present the financial statements of the SA Post Office for the 2020/2021 annual financial statements under the going concern assumptions.

The SA Post Office has the support of the shareholder to continue operating as demonstrated by the fact that National Treasury has granted a MTEF funding of R1,5 billion to fund the public service mandate for the 2021/22 to 2023/24 financial years. This suggests that the shareholder has intentions for the SA Post Office to continue to render its legislative mandates at least until 31 March 2024.

The SA Post Office is a State Owned Company with the mandate to achieve the priorities of Government in providing universal access and affordable postal and financial services to all areas, including rural areas and small towns within the Republic of South Africa. In the recent past, the Government has demonstrated the significance of the SA Post Office in providing additional Government services as can be demonstrated by the mandate to distribute the social grants and the payment of SRD grants on behalf of SASSA. This further supports the Board's assessment of the SA Post Office as a going concern.

The COVID-19 crisis has triggered a social and economic crisis and the South African Post Office is no exception. In this regard, the SA Post Office has submitted an MTEF submission in 2021. The MTEF submission will include a compensation request for the separation of Postbank. The Board is of the opinion that these requests will receive a favourable consideration and response from National Treasury and accordingly expects that a portion, if not all of the requested funds will be granted to the SA Post Office which will further demonstrate government (shareholder) commitment to sustaining the operations of the SA Post Office.

There is an acknowledgement by both the SA Post Office board and management that the current financial position of the SA Post Office requires a restructuring plan which repurposes the Company as an e-commerce and logistics company which is anchored by technology and innovation to turn around its fortunes.

17. Litigation statement

The Group becomes involved from time to time in various claims and lawsuits incidental to the ordinary course of business. Refer to note 44 for more details regarding these.

Except for those mentioned in note 44: Contingencies, there are no further legal or arbitration proceeds which have had a material effect on the Group or Company's financial position.

18. Postbank corporatisation

The Minister of Communication and Digital Technologies gazetted the incorporation Postbank SOC Limited as a separate state owned entity reporting to the South African Post Office (SOC) Limited ("SA Post Office") with effect from 01 April 2019. Prior to this decision, Postbank was a division of SA Post Office.

SA Post Office is, in terms of the South African Postbank Limited Act 2010, the sole shareholder of the South African Postbank (SOC) Limited. There is no formal agreement that defines any consideration due to SA Post Office in respect of the transfer.

The South African Postbank Limited Amendment Bill 2021, gazetted for public comments in March 2021, provides for the transfer of shares held by SA Post Office in Postbank to a new bank controlling company.

SA Post Office accounted for the discontinued operation effective for the 2020 financial year for an amount of R 3,476 million (refer to note 39), as per the South African Postbank Limited Act 2010.

This transaction is deemed to have a material impact on the Statement of Financial Position of the South African Post Office (SOC) Limited.

19. Date of authorisation for issue of financial statements

The separate and consolidated annual financial statements have been authorised for issue by the Board of Directors on 10 December 2021.

20. Acknowledgements

Thanks and appreciation is extended to all of the SA Post Office's shareholders, staff, suppliers and consumers for their continued support of the Group.

Statement of Financial Position as at 31 March 2021

		Group			Company		
		2021	2020 Restated *	2019 Restated *	2021	2020 Restated *	2019 Restated *
	Note(s)	R '000	R '000	R '000	R '000	R '000	R '000
Assets							
Non-Current Assets							
Property, plant and equipment	3	2,083,355	2,054,423	2,250,209	2,080,713	2,051,478	2,246,871
Investment property	4	307,566	308,871	309,662	224,897	220,208	221,607
Heritage assets	5	46,247	46,247	46,247	46,247	46,247	46,247
Intangible assets	6	1,595	18,007	100,842	1,595	18,007	100,842
Investments in subsidiaries	7	-	-	-	31,933	31,933	31,933
Intergroup loans and receivables	8	-	-	-	5,746	4,896	7,067
Other financial assets	9	1,018,006	807,978	858,234	1,018,006	805,684	855,940
Operating lease asset	10	3,118	7,762	5,958	3,076	7,593	5,817
Retirement benefit asset	11	44,672	42,411	38,756	44,672	42,411	38,756
Deferred tax	12	1,310	879	493	-	-	-
Right-of-use assets	13	631,440	944,755	-	625,377	937,589	-
		4,137,309	**4,231,333**	**3,610,401**	**4,082,262**	**4,166,046**	**3,555,080**
Current Assets							
Other financial assets	9	362,013	337,472	4,466,782	362,013	337,472	4,466,782
Operating lease asset	10	3,266	2,030	591	3,516	2,002	522
Prepayments	14	2,384	2,376	2,761	2,384	2,376	2,761
Inventories	15	56,797	79,218	63,290	56,690	79,090	62,960
Trade and other receivables	16	1,699,657	1,243,476	1,477,305	1,686,752	1,232,376	1,466,537
Cash and cash equivalents	17	1,741,012	1,711,102	6,186,857	1,715,747	1,686,205	6,167,380
Current tax receivable		76	69	-	-	-	-
		3,865,205	**3,375,743**	**12,197,586**	**3,827,102**	**3,339,521**	**12,166,942**
Total Assets		**8,002,514**	**7,607,076**	**15,807,987**	**7,909,364**	**7,505,567**	**15,722,022**
Equity and Liabilities							
Equity							
Share capital	18	8,164,116	8,164,116	8,164,116	8,164,116	8,164,116	8,164,116
Reserves		1,503,921	1,504,431	1,569,466	1,503,921	1,504,431	1,569,466
Retained income		(12,198,892)	(9,708,437)	(4,613,559)	(12,203,133)	(9,715,138)	(4,567,394)
		(2,530,855)	**(39,890)**	**5,120,023**	**(2,535,096)**	**(46,591)**	**5,166,188**

* See Note 47

Statement of Financial Position as at 31 March 2021

		Group			Company		
		2021	2020 Restated *	2019 Restated *	2021	2020 Restated *	2019 Restated *
	Note(s)	R '000	R '000	R '000	R '000	R '000	R '000
Liabilities							
Non-Current Liabilities							
Operating lease liability	10	-	-	40,344	-	-	40,344
Retirement benefit obligation	11	938,349	917,716	1,233,804	938,349	917,716	1,233,804
Deferred tax	12	17,287	18,736	18,593	-	-	-
Lease liabilities	13	355,770	598,497	448	349,227	590,387	-
Financial liabilities at amortised cost	20	-	152,097	313,434	-	152,097	313,434
Provisions	21	285,506	251,626	292,005	284,386	250,172	290,485
Borrowings	22	202,750	196,127	-	202,750	196,127	-
		1,799,662	**2,134,799**	**1,898,628**	**1,774,712**	**2,106,499**	**1,878,067**
Current Liabilities							
Operating lease liability	10	-	-	2,843	-	-	2,843
Retirement benefit obligation	11	151,608	154,048	173,117	151,608	154,048	173,117
Lease liabilities	13	365,688	438,804	-	365,688	438,804	-
Financial liabilities at amortised cost	20	152,097	161,338	110,926	152,097	161,338	110,926
Provisions	21	369,333	330,703	264,461	368,490	328,890	262,553
Trade and other payables	23	7,039,598	3,825,042	1,514,040	6,985,404	3,769,407	1,410,537
Deferred income	24	119,116	169,540	178,994	112,482	162,780	173,139
Current tax payable		68	188	303	-	-	-
Other deposits (grants)	25	-	-	508,843	-	-	508,843
Deposits from the public		-	-	5,150,268	-	-	5,150,268
Funds collected on behalf of third parties	26	381,745	177,084	532,265	381,745	177,084	532,265
Government grants	27	152,234	253,308	353,276	152,234	253,308	353,276
Contract Liabilities		2,220	2,112	-	-	-	-
		8,733,707	**5,512,167**	**8,789,336**	**8,669,748**	**5,445,659**	**8,677,767**
Total Liabilities		**10,533,369**	**7,646,966**	**10,687,964**	**10,444,460**	**7,552,158**	**10,555,834**
Total Equity and Liabilities		**8,002,514**	**7,607,076**	**15,807,987**	**7,909,364**	**7,505,567**	**15,722,022**

* See Note 47

Statement of Profit or Loss and Other Comprehensive Income

		Group		Company	
		2021	2020 Restated *	2021	2020 Restated *
	Note(s)	R '000	R '000	R '000	R '000
Continuing operations					
Revenue	28	2,931,434	4,102,463	2,896,847	4,064,095
Other operating income	29	855,057	760,893	850,645	757,403
Other operating gains (losses)	37	(1,306)	(791)	4,689	(1,399)
Other operating expenses	30	(1,739,105)	(1,878,927)	(1,732,235)	(1,871,019)
Employee cost	31	(3,749,858)	(3,929,962)	(3,730,228)	(3,908,362)
Transport cost		(110,973)	(266,466)	(105,838)	(258,190)
Total depreciation, amortisation and impairments	32	(573,831)	(469,224)	(572,086)	(467,098)
Operating loss	**30**	**(2,388,582)**	**(1,682,014)**	**(2,388,206)**	**(1,684,570)**
Interest and dividend income	33	804,955	753,286	804,395	752,287
Finance costs	34	(965,758)	(824,706)	(963,526)	(823,387)
Fair value adjustments	35	215,718	(111,126)	215,718	(111,126)
Loss before taxation		**(2,333,667)**	**(1,864,560)**	**(2,331,619)**	**(1,866,796)**
Income tax expense	36	458	(133)	-	-
Loss from continuing operations		**(2,333,209)**	**(1,864,693)**	**(2,331,619)**	**(1,866,796)**
Discontinued operations					
Loss from discontinued operations	39	-	(3,476,021)	-	(3,476,021)
Loss for the year		**(2,333,209)**	**(5,340,714)**	**(2,331,619)**	**(5,342,817)**
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Remeasurements on net defined benefit liability/asset	11	(372,881)	70,819	(372,721)	70,819
Items that may be reclassified to profit or loss:					
Gain on other financial assets adjustments	9	4,537	(65,035)	4,537	(65,035)
Other comprehensive income for the year net of taxation		**(368,344)**	**5,784**	**(368,184)**	**5,784**
Total comprehensive (loss) income for the year		**(2,701,553)**	**(5,334,930)**	**(2,699,803)**	**(5,337,033)**

* See Note 47

Statement of Changes in Equity

	Share capital	Revaluation reserve	Fair value adjustment assets-available-for- sale reserve	Total reserves	Retained income	Total equity
	R '000	R '000	R '000	R '000	R '000	R '000
Group						
Opening balance as previously reported	8,164,116	1,535,862	105,211	1,641,073	(4,618,792)	5,186,397
Adjustments						
Prior year adjustments	-	(71,607)	-	(71,607)	5,233	(66,374)
Restated* Balance at 01 April 2019 as restated	**8,164,116**	**1,464,255**	**105,211**	**1,569,466**	**(4,613,559)**	**5,120,023**
Loss for the year	-	-	-	-	(5,340,714)	(5,340,714)
Other comprehensive income	-	-	(65,035)	(65,035)	70,819	5,784
Total comprehensive Loss for the year	**-**	**-**	**(65,035)**	**(65,035)**	**(5,269,895)**	**(5,334,930)**
Prior year adjustment	-	-	-	-	256,439	256,439
Remeasurements on net defined benefit liability	-	-	-	-	(81,422)	(81,422)
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**-**	**-**	**175,017**	**175,017**
Opening balance as previously reported	8,164,116	1,464,255	40,176	1,504,431	(6,133,192)	3,535,355
Adjustments						
Prior year adjustments	-	-	-	-	(3,575,245)	(3,575,245)
Balance at 01 April 2020	**8,164,116**	**1,464,255**	**40,176**	**1,504,431**	**(9,708,437)**	**(39,890)**
Loss for the year	-	-	-	-	(2,333,209)	(2,333,209)
Other comprehensive income	-	-	4,537	4,537	(372,881)	(368,344)
Total comprehensive Loss for the year	**-**	**-**	**4,537**	**4,537**	**(2,706,090)**	**(2,701,553)**
Prior year adjustment	-	(5,047)	-	(5,047)	227,517	222,470
Remeasurements on net defined benefit liability	-	-	-	-	(11,882)	(11,882)
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**(5,047)**	**-**	**(5,047)**	**215,635**	**210,588**
Balance at 31 March 2021	**8,164,116**	**1,459,208**	**44,713**	**1,503,921**	**(12,198,892)**	**(2,530,855)**
Note(s)	18		19			

* See Note 47

Statement of Changes in Equity

	Share capital	Revaluation reserve	Fair value adjustment assets-available-for-sale reserve	Total reserves	Retained income	Total equity
	R '000	R '000	R '000	R '000	R '000	R '000
Company						
Opening balance as previously reported	8,164,116	1,464,255	105,211	1,569,466	(4,549,263)	5,184,319
Adjustments						
Prior year adjustments	-	-	-	-	(18,131)	(18,131)
Restated Balance at 01 April 2019 as restated	**8,164,116**	**1,464,255**	**105,211**	**1,569,466**	**(4,567,394)**	**5,166,188**
Loss for the year	-	-	-	-	(5,342,817)	(5,342,817)
Other comprehensive income	-	-	(65,035)	(65,035)	70,819	5,784
Total comprehensive Loss for the year	**-**	**-**	**(65,035)**	**(65,035)**	**(5,271,998)**	**(5,337,033)**
Prior year adjustment	-	-	-	-	206,897	206,897
Remeasurements on net defined benefit liability	-	-	-	-	(82,643)	(82,643)
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**-**	**-**	**124,254**	**124,254**
Opening balance as previously reported	8,164,116	1,464,255	40,176	1,504,431	(6,073,041)	3,595,506
Adjustments						
Prior year adjustments	-	-	-	-	(3,642,097)	(3,642,097)
Balance at 01 April 2020 as restated	**8,164,116**	**1,464,255**	**40,176**	**1,504,431**	**(9,715,138)**	**(46,591)**
Loss for the year	-	-	-	-	(2,331,619)	(2,331,619)
Other comprehensive income	-	-	4,537	4,537	(372,721)	(368,184)
Total comprehensive Loss for the year	**-**	**-**	**4,537**	**4,537**	**(2,704,340)**	**(2,699,803)**
Prior year adjustment	-	(5,047)	-	(5,047)	228,183	223,136
Remeasurements on net defined benefit liability	-	-	-	-	(11,838)	(11,838)
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**(5,047)**	**-**	**(5,047)**	**216,345**	**211,298**
Balance at 31 March 2021	**8,164,116**	**1,459,208**	**44,713**	**1,503,921**	**(12,203,133)**	**(2,535,096)**
Note(s)	18		19			

The accounting policies and the notes form an integral part of the separate and consolidated financial statements.

* See Note 47

Statement of Cash Flows

		Group		Company	
		2021	2020 Restated *	2021	2020 Restated *
	Note(s)	R '000	R '000	R '000	R '000
Cash flows from operating activities					
Cash (used in)/generated from operations	**41**	**841,069**	**(2,052,777)**	**867,582**	**(2,009,620)**
Cash flows from investing activities					
Purchase of property, plant and equipment	3	(42,245)	(67,759)	(42,245)	(67,759)
Acquisition of right-of-use assets	3	(3,977)	(709,380)	-	(700,514)
Purchase of other intangible assets	6	5,168	7,492	(2,300)	(391)
Finance lease receipts		4,644	(1,804)	-	-
(Increase) decrease in financial assets		(19,361)	(1,876,420)	(238,223)	(2,073,951)
Interest received		787,615	754,408	30,871	102,228
Dividends received		17,484	16	17,484	16
Net cash from investing activities		**749,328**	**(1,893,447)**	**(234,413)**	**(2,740,371)**
Cash flows from financing activities					
(Increase) decrease in intergroup loans		-	-	-	-
Proceeds from (Repayment of) borrowings		(161,338)	(110,925)	6,623	-
Proceeds from (repayment of) lease liabilities		(506,138)	331,532	(507,926)	398,439
Finance costs		(893,011)	(750,138)	(102,324)	(129,623)
Net cash from financing activities		**(1,560,487)**	**(529,531)**	**(603,627)**	**268,816**
Total cash movement for the year		29,910	(4,475,755)	29,542	(4,481,175)
Cash at the beginning of the year		1,711,102	6,186,857	1,686,205	6,167,380
Total cash at end of the year	**17**	**1,741,012**	**1,711,102**	**1,715,747**	**1,686,205**

Notes to the Consolidated Financial Statements – Accounting Policies

1. Summary of significant accounting policies

South African Post Office (SOC) Limited is a Company incorporated in South Africa. Its parent and ultimate holding entity is the South African Government represented by the Department of Communication and Digital Technologies. The address of its registered office and place of business are disclosed in the director's report. The principal activities of the Company and its subsidiaries are also described in the directors' report.

The Group and Company consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, and the requirements of the Public Finance Management Act and the Companies Act of South Africa.

The accounting policies applied in preparation of these Group and Company financial statements are consistent in all material respects with those applied in the prior year, unless explicitly stated otherwise as changes in accounting policy. No standards were adopted before the effective date during the financial reporting period ended 31 March 2021.

The financial statements are presented in South African Rands (ZAR), the functional currency of the Group and Company. All amounts are rounded to the nearest thousand, except when otherwise indicated. They are prepared on the historical cost basis, except for heritage assets, investment properties and certain financial instruments at fair value.

The annual financial statements were prepared under the supervision of the acting Group Chief Financial Officer.

1.1 Basis of preparation

The separate and consolidated annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these separate and consolidated annual financial statements and the Companies Act of South Africa, as amended.

These separate and consolidated annual financial statements comply with the requirements of the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The separate and consolidated annual financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the Group and Company's functional currency.

These accounting policies are consistent with the previous period.

1.2 Financial statement preparation

Basis of consolidation
Subsidiaries

The consolidated annual financial statements incorporate the annual financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee
- Is exposed, or has rights, to variable returns from its involvement with the investee and
- Has the ability to use its power to affect its return

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other voting holders;
- Potential voting rights held by the company, other vote holder or other parties;
- Rights arising from other contractual arrangements, and

Notes to the Consolidated Financial Statements – Accounting Policies

- Any additional facts and circumstances that indicate that the Company has, or does have, the current ability to direct the relevant activities at the time that decisions need to be made.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the annual financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Fair value considerations

The consolidated annual financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and /or disclosure purposes in these consolidated annual financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 input are quoted process (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted process included within Level 1, that are observable for the asset or liability either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

Current non-current distinction

All assets and all liabilities are classified and presented as either current or non-current unless they are presented in order of their liquidity. The term 'current' is defined for:

a. assets, as an asset that is:

   i. expected to be realised in, or is intended for sale or consumption in, the entity's normal operating cycle;
   ii. held primarily for the purpose of being traded;
   iii. expected to be realised within 12 months after the reporting period; or
   iv. cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period;

b. liabilities, as a liability that:

   i. is expected to be settled in the entity's normal operating cycle;

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ii. is held primarily for the purpose of being traded;
iii. is due to be settled within 12 months after the reporting period; or
iv. the entity does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current assets include inventories and trade receivables that are sold, consumed or realised as part of the normal operating cycle and current liabilities include those liabilities that form part of the working capital used in a normal operating cycle of the entity, for example trade payables and accruals for employee benefits expense.

The principal accounting policies are set out below.

Business combinations

The group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

Any contingent consideration is included in the cost of the business combination at fair value as at the date of acquisition. Subsequent changes to the assets, liability or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are valid measurement period adjustments. Otherwise, all subsequent changes to the fair value of contingent consideration that is deemed to be an asset or liability is recognised in either profit or loss or in other comprehensive income, in accordance with relevant IFRS's. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 Business combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current assets Held For Sale and Discontinued Operations, which are recognised at fair value less costs to sell.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the acquiree's assets and liabilities are reassessed in terms of classification and are reclassified where the classification is inappropriate for group purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the consolidated financial statements. Significant judgements include:

Trade receivables and Loans and receivables

The Group assesses its trade receivables 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.

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Financial assets through other comprehensive income

Notes to the Consolidated Financial Statements – Accounting Policies

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The Group follows the guidance of IFRS 9 to determine when a financial asset is impaired. This determination requires significant judgement. In making this judgement, 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

The allowance for stock write-off at the lower of cost or net realisable value requires the use of estimates to determine the selling price and direct cost to sell.

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.

Other items that are subject to fair value as a significant judgement and source of estimation and uncertainty include property, plant and equipment, and investment property. Further detail on the valuation of these items is provided in notes 3 and 4 respectively.

Impairment testing of non-financial assets

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

Provisions

Provisions were raised and management determined an estimate based on available information. Provisions and contingent liabilities

Management's judgement is required when recognising and measuring provisions and when measuring contingent liabilities. The probability that an outflow of economic resources will be required to settle the obligation must be assessed and a reliable estimate must be made of the amount of the obligation. Provisions are measured at management's best estimate of the expenditure required to settle the obligation and discounted where the effect of discounting is material.

The discount rate used is the rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability, all of which require management's judgement. The Group is required to recognise provisions for legal contingencies when the occurrence of the contingency is probable and the amount of the loss can be reasonably estimated. Liabilities provided for legal matters require judgements regarding projected outcomes and ranges of losses based on historical experience and recommendations of legal counsel. Litigation is however unpredictable and actual costs incurred could differ materially from those estimated at the reporting date.

Estimated credit losses ("ECL")

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Estimating ECL involves forecasting future economic conditions over a period of time. These longer term forecasts are subject to management judgement and those judgements may be sources of measurement uncertainty.

Expected manner of realisation for deferred tax

Deferred tax is provided for on the fair value adjustments of investment properties 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.

Taxation

Judgement is required when 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 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 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.

All capital assets are utilised through use except for land that is utilised through the sales tax rate.

Deferred income

Judgement is required when determining the deferred revenue due to the stage of completion of the revenue contract at year end. There are many transactions and calculations for which the ultimate deferred revenue determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated deferred income based on the stage of completion. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the profit or loss and deferred income liability in the period in which such determination is made.

Post-employment benefit obligations

In determining the value to be placed on these post-employment benefits, various assumptions in respect of various economic and demographic factors have been made. In order to have consistency between the 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 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 neither sufficiently deep nor 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 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.

Notes to the Consolidated Financial Statements – Accounting Policies

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 show the impact on the liabilities of a number of different assumptions.

Actuarial valuations are performed on an annual basis.

Site restoration and dismantling cost

Decommissioning costs that are expected to be incurred upon the termination or conclusion of lease agreements 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.

Estimation of useful lives and residual values

Property, plant and equipment are depreciated over their useful lives taking into account the residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessment consider issues such as future market conditions, the remaining lives of the assets and the projected disposal values.

Intangible assets are amortised on a straight line basis over their estimated useful lives. The amortisation methods and remaining useful lives are reviewed at least annually. The estimation of the useful lives of intangible assets is based on historic performance as well as expectations about future use and therefore requires a significant degree of judgement.

1.4 Heritage assets

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. Heritage Assets are recognised when

- it is probable that future economic benefits associated with the asset will flow to the entity; and
- the fair value or cost of the asset can be measured reliably.

Heritage assets which qualify for recognition as an asset are initially measured at cost.

Where heritage assets were acquired for no cost or nominal cost, its cost is measured at fair value on the date of acquisition.

A non-exchange transaction is a transaction where an entity receives or gives value to another entity without directly giving or receiving an approximate equal value in exchange. Examples include gifts, fines and grants.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

An inflow of resources from a non-exchange transaction recognised as an asset will be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow (which is the case when a stipulation is a condition).

Costs of day-to-day servicing i.e. repairs and maintenance are expensed, only costs incurred to enhance or restore an asset to preserve its indefinite useful life can be capitalised if they meet the recognition criteria.

Heritage assets are subsequently measured at the revalued amount less accumulated impairment losses. Heritage assets have indefinite useful lives and are not depreciated.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited to other comprehensive income and accumulated in the revaluation surplus in equity. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in profit or loss in the current

Notes to the Consolidated Financial Statements – Accounting Policies

period. The decrease is debited in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

An asset is derecognised when it is disposed of or when no future economic benefits or service potential is expected. Any gain or loss is recognised in profit or loss. The revaluation surplus included in equity in respect of a heritage assets may be transferred directly to retained earnings when it is derecognised.

A heritage asset is not depreciated but the entity assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the entity estimates the recoverable amount or the recoverable service amount of the heritage asset.

In assessing whether there is an indication that an asset may be impaired, the Group has considered, as a minimum, the following indications:

External sources of information

a. During the period, a heritage asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.

b. The absence of an active market for a revalued heritage asset.

Internal sources of information

a. Evidence is available of physical damage or deterioration of a heritage asset.

b. A decision to halt the construction of the heritage asset before it is complete or in a usable form.

1.5 Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation.

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.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value, which reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net profit or loss for the period in which it arises.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use.

Investment property is derecognised either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

1.6 Property, plant and equipment

Property, plant and equipment are tangible assets which the Group holds for its own use or for rental to others and which are expected to be used for more than one year.

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 Company and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost

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including any cost directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating as intended by management. Land is not depreciated. Where any item comprises of major components with different useful lives, these major components are accounted for as separate items.

The initial estimate of the costs of dismantling and removing an item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the group is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Expenditure incurred subsequently for major services, additions to, or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the group and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Major spare parts and stand by equipment which are expected to be used for more than one year are included in property, plant and equipment.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses except for land and buildings.

Land and buildings are subsequently stated at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

On revaluation, the carrying amount of the asset is adjusted to the revalued amount. At the date of revaluation, the accumulated depreciation is eliminated against the gross carrying amount of the asset. The amount of the adjustment of accumulated depreciation forms part of the increase or decrease in carrying amount.

When an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit or loss. However, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

The revaluation reserve in equity related to a specific item of property, plant and equipment is transferred directly to retained income when the asset is derecognised.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the Group. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

Notes to the Consolidated Financial Statements – Accounting Policies

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

Item	Depreciation method	Average useful life
Assets under construction	Straight line	Not depreciated until asset is complete and in use
Buildings	Straight line	30 - 100 years
Data processing equipment	Straight line	3 - 8 years
Furniture and fixtures	Straight line	3 - 12 years
Land	Straight line	Indefinite
Leasehold improvements	Straight line	Term of the lease
Motor vehicles	Straight line	3 - 20 years
Machinery and equipment	Straight line	3 - 20 years
Site restoration	Straight line	Expected term of the lease

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

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.

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

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any 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. Any 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 which the group holds for rentals to others and subsequently routinely sells as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.7 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. These assets are individually considered and depreciated over the expected lease term rather than the actual lease contract.

The related asset is measured using the cost model:

- changes in the liability are added to, or deducted from,

Notes to the Consolidated Financial Statements – Accounting Policies

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; and
- 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.

1.8 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Neither the Group or the Company has intangible assets with indefinite useful lives.

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.

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.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Expenditure on research activities is recognised as an expense in the period in which it is incurred. The amortisation period and the amortisation method for intangible assets are reviewed regularly.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Intangible assets under development	Not amortised until asset is complete and in use
Software	2 - 8 years
Software - personal computers	1 - 3 years

1.9 Interests in subsidiaries

Company annual financial statements

In the Company's separate 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:

Notes to the Consolidated Financial Statements – Accounting Policies

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the select entity; plus
- any costs directly attributable to the purchase of the subsidiary.

Financial instruments held by the Group and Company are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the Group and Company, as applicable, are as follows:

Financial assets which are equity instruments:

- Mandatorily at fair value through profit or loss; or
- Designated as at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).

Financial assets which are debt instruments:

- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows);
- Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or

Derivatives which are not part of a hedging relationship:

- Mandatorily at fair value through profit or loss.

Financial liabilities:

- Amortised cost; or
- Mandatorily at fair value through profit or loss. (This applies to contingent consideration in a business combination or to liabilities which are held for trading); or

Note 48 Risk management presents the financial instruments held by the Group and Company based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Group and Company are presented below:

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, 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 amounts due to the Group, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss-measured as the difference between the acquisition cost and current fair value,

Notes to the Consolidated Financial Statements – Accounting Policies

less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity as a reclassification adjustment to other comprehensive income and recognised in profit or loss.

Impairment losses are recognised in profit or 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 uncollectable, 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 profit or loss. The Group's policy on the impairment of trade and other receivables is outlined in note 16.

Impairment losses are reversed when an increase in the financial asset'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 financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

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.

Loans to (from) group companies

Initial recocnition and classification

Intragroup loans and receivables/(payables) are classified as financial assets/(financial liabilities). These include loans to and from subsidiaries and are recognised initially at fair value plus/(minus) direct transaction costs.

Subsequent measurement

Intragroup loans and receivables/(payables) are subsequently measured at amortised cost.

They have been classified in this manner because the contractual terms of these loans give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the group's business model is to collect the contractual cash flows on these loans.

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, Value Added Tax and prepayments, are classified as financial assets subsequently measured at amortised cost (Note 16).

It has been classified in this manner because the contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Group and Company's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the Group and Company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Trade and other payables

Classification

Trade and other payables, excluding Value Added Tax and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Notes to the Consolidated Financial Statements – Accounting Policies

Recognition and measurement

They are recognised when the Group and Company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs.

Trade and other payables expose the Group and Company to liquidity risk and possibly to interest rate risk. Refer to Note 48 for details of risk exposure and management thereof.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertable to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at amortised cost.

1.11 Taxation

Current tax assets and liabilities

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 tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

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 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 and branches, 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.

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, 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.

Notes to the Consolidated Financial Statements – Accounting Policies

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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

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.

1.12 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 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. 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 realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Inventories includes a "right to returned goods asset" which represents the group right to recover products from customers where customers exercise their right of return under the group returns policy. The group uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. A corresponding adjustment is recognised against cost of sales.

1.13 Non-current assets (disposal groups) held for sale or distribution to owners

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations; is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

1.14 Impairment of non-financial assets

The Group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Notes to the Consolidated Financial Statements – Accounting Policies

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 profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

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 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.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

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.

1.16 Financial liabilities at amortised cost

Compulsory convertible preference shares [Compulsory convertible debentures] are compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible instruments and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the group, is included in equity.

Combined units are compound instruments, consisting of a debenture (liability) component and a share (equity) component. The debentures are carried at amortised cost, and any premium or discount on issue is written off over the redemption period using the effective interest rate method.

Issue costs are apportioned between the liability and equity components of the compound instruments based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

1.17 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

Notes to the Consolidated Financial Statements – Accounting Policies

funded through payments to trustee-administered funds, determined by periodic actuarial calculations.

The benefit costs and obligations under the defined benefit funds are determined separately for each fund using the projected unit credit method.

The service cost and net interest on the net defined benefit liability or asset are recognised in profit or loss.

Where the benefits of a plan are amended or curtailed, the change in the present value of the net defined benefit obligation relating to past service by the employees is recognised in profit or loss in the period of the amendment.

Past service costs are recognised immediately.

Remeasurements of the net defined benefit liability or asset, comprising actuarial gains and losses, the effect of changes in the asset ceiling where applicable, and the return on the plan assets other than interest are recognised in other comprehensive income and transferred to equity in the period in which they arise.

The post-benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation less the fair value of any plan assets. An asset resulting from this calculation is recognised only to the extent of any economic benefits available to the SA Post Office in the form of refunds or reductions in the future contributions (asset ceiling).

Actuarial gains or determined through annual actuarial valuations by independent consulting actuaries using the projected unit credit method and remeasurements recognised as stated above.

1.18 Provisions and contingent liabilities

Provisions are recognised when:

- the Group has a present 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 of a provision is the present value of the expenditure expected to be required to settle the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably

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.

1.19 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.

Notes to the Consolidated Financial Statements – Accounting Policies

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate for.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

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 deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Grants related to income are deducted from the related expense.

1.20 Comparatives

During the financial year the Group elected to present the costs recognised in the statement of profit and loss in the format of the management results as this is considered to provide more reliable and relevant information. The comparative figures were also adjusted accordingly.

1.21 Translation of foreign currencies

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.

In circumstances where the group receives or pays an amount in foreign currency in advance of a transaction, the transaction date for purposes of determining the exchange rate to use on initial recognition of the related asset, income or expense is the date on which the group initially recognised the non-monetary item arising on payment or receipt of the advance consideration.

If there are multiple payments or receipts in advance, group determines a date of transaction for each payment or receipt of advance consideration.

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 separate and consolidated 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.

1.22 IFRS 15 Revenue from contracts with customers

Revenue recognition

Revenue from contracts with customers is applied using a single model which is a five step-Model. The five-step model consist of the following steps:

Notes to the Consolidated Financial Statements – Accounting Policies

- Identify the contract(s) with a customer
- Identify the separate performance obligations (PO) in the contract
- Determine the transaction price
- Allocate the transaction price to the separate performance obligations (PO)
- Recognise revenue when the entity satisfies a performance obligations (PO)

Revenue is recognised when (or as) the entity satisfies a performance obligation by transferring a promised good or services (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

An entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

a. the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
b. the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
c. the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time in accordance with the above, an entity satisfies the performance obligation at a point in time.

Measurement

When (or as) a performance obligation is satisfied, SA Post Office recognise as revenue the amount of the transaction price (which excludes estimates of variable consideration that are constrained) that is allocated to that performance obligation.

Bulk mail revenue

Bulk-mail is a mail sorting and delivery service offered to customers with large mailing lists such as retail clothing companies. Bulk-mail revenue also include bulk parcels. Revenue from bulk-mail services is recognised at a point in time upon delivery of the mail to its destination (Postbox or physical address). The time of delivery is based on our mail delivery performance statistics. Bulk-mail revenue also includes collection services that is recognized at a point in time after collection.

Franking mail revenue

Franking refers to any devices, markings, or combinations thereof ("franks") applied to mails of any class which qualifies them to be postally serviced. Franking mail revenue is recognized at a point in time when the mail is delivered to its destination. The time of delivery is based on our mail delivery performance statistics. Franking mail revenue also include license fees. License revenue is recognised at a point in time when SA Post Office and the customer becomes parties to a contract because the over time criteria are not met.

Hybrid mail revenue

Hybrid mail involves digital data being transformed into physical letter items at distribution print centres located as close as possible to the final delivery addresses. Hybrid mail revenue is recognised at a point in time when the mail is delivered to its destination (Postbox or physical address).

Photocopy, scan, printing and fax revenue

Revenue is recognised at a point in time when the promised goods/services (making photocopies, printing, scanning documents and faxing documents) are transferred to the customer.

Box revenue

These are amounts paid by customers for the rental of private post boxes (2nd postal addresses).The key deposit amount is recognised as a refund liability because it is refundable upon cancellation by the customer. Revenue is recognised on an accrual basis over the rented period. Box revenue also include the sale of locks which is recognized at a point in time when keys are transferred to customers.

Registered and domestic letters revenue

Registered letters are postal services in which a receipt is issued to the sender of a mail and the mail's destination address is recorded in a register. Upon its delivery, the recipient's signatures are taken on a form as proof of delivery to the specified addressee. Domestic letters will be delivered without any signature or receipt taken by the recipient and cannot be tracked. In case the addressee is not found, the

Notes to the Consolidated Financial Statements – Accounting Policies

mail is returned to the sender. Registered and domestic letter revenue is recognised at a point in time when the letter is delivered to its destination. The time of delivery is based on our mail delivery performance statistics.

Agency revenue

Agency revenue is commission due to SA Post Office for collecting money on behalf of 3rd parties. Revenue from rendering of agency services is recognised at a point in time when funds collected are transferred to the customers.

Sale of philatelic products

Philatelic products are stamps or any other product issued during the year to commemorate special events in the country. Revenue is recognised at a point in time when the promised goods/services (sale of philatelic products) revenue are transferred to the customer. Philately revenue also includes the sale of stamps used for postal services which is recognized at a point in time when letters reach their destination. The time of delivery is based on our mail delivery performance statistics.

Retail revenue

Retail revenue includes sale of airtime, scanning services and other products. Revenue is recognised at a point in time when the promised goods/services are transferred to the customer.

Courier service revenue

Courier services refers to parcel/mail delivery. Revenue from courier services is recognised at a point in time when the parcel/mail is delivered to its destination. The time of delivery is based on our mail delivery performance statistics.

Expedited Mail Service (EMS) revenue

Expedited Mail Service is an international priority mail service that provides a fast and reliable door to door service for the dispatch of urgent goods such as tender documents, business papers, merchandise and samples. EMS revenue is recognised at a point in time upon delivery of the parcel to its intended destination. The time of delivery is based on our mail delivery performance statistics.

Terminal and transit dues (International revenue)

Terminal dues are amounts due to SA Post Office Limited for mail received from foreign postal administrators whose destination is South Africa. Transit dues are amounts due from international postal administrators for international mail which passes through SA Post Office Ltd in transit to its destination out of South Africa. Revenue from terminal and transit dues is recognised once the mail has been delivered to its destination in the case of terminal dues, and once it has been sent off to its next stop with regard to the latter. The time of delivery is based on our mail delivery performance statistics.

Stamps and envelope revenue

Stamp and envelope revenue is the sale of stamps and envelopes that will be used by customers when they post letters. Revenue from sale of stamps and envelopes is recognised at a point in time when the mail is delivered to its destination. The time of delivery is based on our mail delivery performance statistics.

Service charges

Service charges income is the revenue taken in by Postbank from account-related charges to customers. These charges often relates to charges in respect of personal current account and they include monthly charges for the provision of an account. Therefore revenue from service charges is recognised at a point in time (transactional fees) when the customer makes use of the account and over time (normal provision of an account) when the bank account is kept active.

Delivery address check revenue

This is the commission received from the postal address management service suppliers. The Postal Address Management Service Suppliers (PAMSS) is a group of companies who offer address quality checking services to customers on behalf of the entity. Revenue from licenses is recognised at a point in time when SA Post Office and customer become party to a contract. The license does not limit the number of records customers should perform quality checks on. For Commission and certification administration revenue, the performance obligation is satisfied at a point in time when SA Post Office provides the PAMSS(Client) with the certification to confirm that address quality checks were performed.

Notes to the Consolidated Financial Statements – Accounting Policies

Business reply service revenue

With the BRS, businesses can offer their customer or prospective customers the incentive to reply without having to pay postage. Revenue from licenses will be recognised at a point in time when SA Post Office and customer become parties to a contract because the over time criteria are not met. The license does not limit the number of letters customers send to their addressees. BRS revenue also includes sale of envelopes for addressee to reply to customers. Revenue from the sale of envelopes is recognised at a point in time when envelopes are sold to customers.

Subscription fees

Subscription fee revenue is recognised on an accrual basis over the contract period.

Bar code roll revenue

Revenue is recognised at a point in time when the promised goods are transferred to the customer.

Secure mail revenue

This service provides a water-tight and cost effective security for credit cards, retail cards, share certificates, cellphones or any other item of value using advanced technology. Secure mail revenue is recognised at a point in time when the mail/parcel is delivered to its destination. The time of delivery is based on our mail delivery performance statistics.

1.23 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- this Act; or
- the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- 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 taken 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 non-compliance with a Treasury Regulation which required cognisance to be taken 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 non-compliance with a requirement of the institution's delegation of authority framework issued in terms of the PFMA.

1.24 Fruitless and wasteful expenditure

Fruitless and wasteful 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 financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.25 Related parties

The Group operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions. All executive managers

Notes to the Separate and Consolidated Financial Statements

2. New Standards and Interpretations

2.1 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 2021 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
Definition of Accounting Estimates - Amendments to IAS 8 In February 2021, the IASB issued Definition of Accounting Estimates, which amended IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments introduced the definition of accounting estimates and included other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies.	01 January 2023	Unlikely there will be a material impact
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) In February 2021, the IASB issued Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2). The amendments provide guidance and to help entities apply materiality judgements to accounting policy disclosures, and distinguish changes in accounting estimates from changes in accounting policies.	01 January 2023	Unlikely there will be a material impact
Classification of Liabilities as Current or Non-Current - Amendment to IAS 1	01 January 2023	Unlikely there will be a material impact
In January 2020 the International Accounting Standards Board issued amendments to IAS 1 Presentation of Financial Statements that clarify its requirements for the presentation of liabilities in the statement of financial position.		

Notes to the Separate and Consolidated Financial Statements

2. New Standards and Interpretations

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the Group's accounting periods beginning on or after 01 April 2021 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12) In May 2021 the International Accounting Standards Board (IASB) issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	01 January 2023	Unlikely there will be a material impact
Covid-19-Related Rent Concessions beyond 30 June 2021: Amendment to IFRS 16 Leases. The amendment permitted lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The amendment did not affect lessors.	01 June 2021	Unlikely there will be a material impact

Notes to the Separate and Consolidated Financial Statements

3. Property, plant and equipment

Group R'000	2021			2020		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land	609,065	-	609,065	609,065	-	609,065
Buildings	1,477,855	(216,305)	1,261,550	1,396,820	(177,446)	1,219,374
Machinery and equipment	383,857	(340,225)	43,632	386,137	(334,759)	51,378
Furniture and fittings	57,303	(42,705)	14,598	60,617	(43,982)	16,635
Motor vehicles	66,502	(34,056)	32,446	76,655	(34,304)	42,351
Data processing equipment	405,054	(392,265)	12,789	442,604	(404,181)	38,423
Leasehold improvements	297,362	(289,164)	8,198	305,661	(294,716)	10,945
Site restoration	198,134	(99,982)	98,152	134,242	(70,711)	63,531
Assets under construction	2,925	-	2,925	2,721	-	2,721
Total	**3,498,057**	**(1,414,702)**	**2,083,355**	**3,414,522**	**(1,360,099)**	**2,054,423**

Company	2021			2020		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land	609,065	-	609,065	609,065	-	609,065
Buildings	1,477,855	(216,305)	1,261,550	1,396,820	(177,446)	1,219,374
Machinery and equipment	358,306	(314,723)	43,583	360,586	(309,320)	51,266
Furniture and fittings	54,663	(40,088)	14,575	57,977	(41,373)	16,604
Motor vehicles	45,479	(15,289)	30,190	55,632	(15,537)	40,095
Data processing equipment	391,859	(379,383)	12,476	429,409	(391,529)	37,880
Leasehold improvements	296,770	(288,573)	8,197	305,069	(294,127)	10,942
Assets under construction	2,925	-	2,925	2,721	-	2,721
Site restoration	198,134	(99,982)	98,152	132,722	(69,191)	63,531
Total	**3,435,056**	**(1,354,343)**	**2,080,713**	**3,350,001**	**(1,298,523)**	**2,051,478**

Notes to the Separate and Consolidated Financial Statements

3. Property, plant and equipment

Reconciliation of property, plant and equipment - Group - 2021						
	Opening balance	Additions	Retirements	Change in estimate	Depreciation	Total
Land	609,065	-	-		-	**609,065**
Buildings	1,219,374	997	-	94,196	(53,017)	**1,261,550**
Machinery and equipment	51,378	4,606	(1,339)	(132)	(10,881)	**43,632**
Furniture and fittings	16,635	244	(196)	-	(2,085)	**14,598**
Motor vehicles	42,351	-	(6,141)	-	(3,764)	**32,446**
Data processing equipment	38,423	9,634	(5,235)	(7,622)	(22,411)	**12,789**
Leasehold improvements	10,945	-	(180)	-	(2,567)	**8,198**
Assets under construction	2,721	204	-	-	-	**2,925**
Site restoration	63,531	26,560	(3,257)	42,110	(30,792)	**98,152**
	2,054,423	**42,245**	**(16,348)**	**128,552**	**(125,517)**	**2,083,355**

Reconciliation of property, plant and equipment - Group - 2020							
	Opening balance	Additions	Retirements	Transfers	Change in estimate	Depreciation	Total
Land	609,065	-	-	-	-	-	**609,065**
Buildings	1,299,813	9,617	(4)	-	(39,888)	(50,164)	**1,219,374**
Machinery and equipment	58,881	8,511	(4,092)	-	(175)	(11,747)	**51,378**
Furniture and Fittings	18,441	324	(41)	-	-	(2,089)	**16,635**
Motor vehicles	23,374	22,309	-	-	-	(3,332)	**42,351**
Data processing equipment	145,233	469	-	(7,339)	(77,156)	(22,784)	**38,423**
Leasehold improvements	21,640	505	(4,228)	-	(178)	(6,794)	**10,945**
Assets under construction	2,721	-	-	-	-	-	**2,721**
Site restoration	71,041	26,025	(4,382)	(83,226)	59,340	(5,267)	**63,531**
	2,250,209	**67,760**	**(12,747)**	**(90,565)**	**(58,057)**	**(102,177)**	**2,054,423**

Notes to the Separate and Consolidated Financial Statements

3. Property, plant and equipment

	Opening balance	Additions	Retirements	Change in estimate	Depreciation	Total
Land	609,065	-	-	-	-	**609,065**
Buildings	1,219,374	997	-	94,196	(53,017)	**1,261,550**
Machinery and equipment	51,266	4,606	(1,339)	(132)	(10,818)	**43,583**
Furniture and fittings	16,604	244	(197)	-	(2,076)	**14,575**
Motor vehicles	40,095	-	(6,141)	-	(3,764)	**30,190**
Data processing equipment	37,880	9,634	(5,235)	(7,622)	(22,181)	**12,476**
Leasehold improvements	10,942	-	(179)	-	(2,566)	**8,197**
Assets under construction	2,721	204	-	-	-	**2,925**
Site restoration	63,531	26,560	(3,257)	42,109	(30,791)	**98,152**
	2,051,478	**42,245**	**(16,348)**	**128,551**	**(125,213)**	**2,080,713**

	Opening balance	Additions	Retirements	Transfers	Change in estimate	Depreciation	Total
Land	609,065	-	-	-	-	-	**609,065**
Buildings	1,299,813	9,617	(4)	-	(39,888)	(50,164)	**1,219,374**
Machinery and equipment	58,706	8,511	(4,092)	-	(175)	(11,684)	**51,266**
Furniture and fittings	18,398	323	(39)	-	-	(2,078)	**16,604**
Motor vehicles	21,118	22,309	-	-	-	(3,332)	**40,095**
Data processing equipment	144,374	469	-	(7,339)	(77,188)	(22,436)	**37,880**
Leasehold improvements	21,635	505	(4,226)	-	(179)	(6,793)	**10,942**
Assets under construction	2,720	-	-	-	1	-	**2,721**
Site restoration	71,041	26,025	(4,382)	(83,226)	59,339	(5,266)	**63,531**
	2,246,870	**67,759**	**(12,743)**	**(90,565)**	**(58,090)**	**(101,753)**	**2,051,478**

Property, plant and equipment encumbered as security
No property, plant and equipment has been pledged as security for liabilities.

Borrowing costs capitalised
There were no borrowing costs that required capitalisation during the period.

Notes to the Separate and Consolidated Financial Statements

4. Investment property

Group	2021			2020		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	**307,566**	**-**	**307,566**	**308,871**	**-**	**308,871**

Company	2021			2020		
	Valuation	Accumulated depreciation	Carrying value	Valuation	Accumulated depreciation	Carrying value
Investment property	**224,897**	**-**	**224,897**	**220,208**	**-**	**220,208**

Reconciliation of investment property - Group - 2021			
	Opening balance	Fair value adjustments	Total
Investment property	308,871	(1,305)	**307,566**

Reconciliation of investment property - Group - 2020			
	Opening balance	Fair value adjustments	Total
Investment property	309,662	(791)	**308,871**

Reconciliation of investment property - Company - 2021			
	Opening balance	Fair value adjustments	Total
Investment property	220,208	4,689	**224,897**

Reconciliation of investment property - Company - 2020			
	Opening balance	Fair value adjustments	Total
Investment property	221,607	(1,399)	**220,208**

Notes to the Separate and Consolidated Financial Statements

Fair value of investment property

The fair values of investment properties were obtained from an independent valuer(s) who are involved in the valuation every five years. On an annual basis, an internal team assess the inputs used and compares with relevant external sources to determine whether there are significant changes.

The fair value used as the basis of valuation was performed by an independent valuer(s) on 31 March 2017, by the following Independent valuers: Messrs Valuations & Appraisals KZN (Pty) Ltd, Messrs LRM Developer CC , Messrs Pardey and Lutuli International Valuation Services CC and Messrs Marble Sharp /Equity. These service providers are independent valuers not related to the Group. These service providers are all members of the South African Institute of Valuers and they have appropriate qualifications and experience in the fair value of properties in the relevant locations.

The valuations were subsequently reviewed and adjusted by the internal team to reflect the highest and best use for the properties as at 31 March 2021.

The adjustments to the values of the properties is based on the following methodology:

1. For properties where a formal valuation report from the 2017 valuation is available, the same methodology is applied that the Independent valuer(s) used. The general approach in the valuations received is the Income Capitalization approach

2. For properties where there is no formal valuation report is not available for the property or the Income Capitalization approach can not reliably applied to the properties,, the Comparative sales approach is applied to determine what the current market price for similar selling properties is.

3. For properties where only a formal valuation report is available with no comparative sales information, the value of the properties were not adjusted.

The fair value hierarchy applied is a combination of Level 2 and 3 inputs. Where the fair value is based and adjusted on the same methodology as the valuation reports available the fair value is deemed to be a level 2 input. Where fair value adjustments is made based on the Comparative Sales approach, the input is consider to be a Level 2 input, since the value of the properties is based on similar, observable market prices.

All of the properties is considered to be used in operations and is not classified as held-for-sale.

Amounts recognised in profit and loss for the year				
Direct operating expenses from rental generating property property	10,099	9,540	-	-
Direct operating expenses from non-rental generating	5,823	5,216	-	-
	15,922	**14,756**	**-**	**-**

Notes to the Separate and Consolidated Financial Statements

5. Heritage assets

Group	2021			2020		
	Valuation	Accumulated depreciation	Carrying value	Valuation	Accumulated depreciation	Carrying value
Work of art	7,697	-	7,697	7,697	-	7,697
Stamps	36,348	-	36,348	36,348	-	36,348
Documents	259	-	259	259	-	259
Philatelic stationery	510	-	510	510	-	510
Other assets	1,433	-	1,433	1,433	-	1,433
Total	**46,247**	**-**	**46,247**	**46,247**	**-**	**46,247**

Company	2021			2020		
	Valuation	Accumulated depreciation	Carrying value	Valuation	Accumulated depreciation	Carrying value
Work of art	7,697	-	7,697	7,697	-	7,697
Stamps	36,348	-	36,348	36,348	-	36,348
Documents	259	-	259	259	-	259
Philatelic stationery	510	-	510	510	-	510
Other assets	1,433	-	1,433	1,433	-	1,433
Total	**46,247**	**-**	**46,247**	**46,247**	**-**	**46,247**

Valuations

Fair value determinations are made at intervals such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

The last valuation was performed at 31 March 2017. The fair value was performed by independent valuers that are not connected to the Group.

The valuation was based on current market values and no discount rates were used.

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, artefacts and machinery

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the Company.

Notes to the Separate and Consolidated Financial Statements

6. Intangible assets

Group	2021			2020		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	349,827	(348,232)	1,595	357,617	(339,610)	18,007
Intangible assets under development	54,806	(54,806)	-	54,806	(54,806)	-
Total intangible assets	**404,633**	**(403,038)**	**1,595**	**412,423**	**(394,416)**	**18,007**

Company	2021			2020		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	346,453	(344,858)	1,595	354,243	(336,236)	18,007
Intangible assets under development	54,806	(54,806)	-	54,806	(54,806)	-
Total intangible assets	**401,259**	**(399,664)**	**1,595**	**409,049**	**(391,042)**	**18,007**

Reconciliation of intangible assets - Group - 2021

	Opening balance	Disposals	Amortisation	Total
Computer software	**18,007**	**(7,790)**	**(8,622)**	**1,595**

Reconciliation of intangible assets - Group - 2020

	Opening balance	Additions	Disposals	Transfers	Amortisation	Total
Computer software	95,338	390	(65,310)	5,504	(17,915)	18,007
Intangible assets under development	5,504	-	-	(5,504)	-	-
Total intangible assets	**100,842**	**390**	**(65,310)**	**-**	**(17,915)**	**18,007**

Notes to the Separate and Consolidated Financial Statements

6. Intangible assets

Reconciliation of intangible assets - Company - 2021						
	Opening balance	Additions	Other changes, movements	Amortisation	Impairment loss	Total
Computer software	18,007	2,300	(9,418)	(11,416)	2,122	1,595

Reconciliation of intangible assets - Company - 2020					
	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	95,338	390	(59,806)	(17,915)	18,007
Intangible assets under development	5,504	-	(5,504)	-	-
Total intangible assets	**100,842**	**390**	**(65,310)**	**(17,915)**	**18,007**

Individually material intangible assets: There are no individually material intangible assets that require specific disclosure.

Pledged as security: No intangble assets have been pledged as security for liabilities.

Other information: There were no impairments of intangible assets during the year.

7. Interests in subsidiaries including consolidated structured entities

The following table lists the entities which are controlled by the group, either directly or indirectly through subsidiaries.

Company				
Name of company	**% voting power 2021**	**% voting power 2020**	**Carrying amount 2021**	**Carrying amount 2020**
Sapos Properties (Rossburgh) (Pty) Ltd	100.00 %	100.00 %	8,564	8,564
Sapos Properties (Cape Town) (Pty) Ltd	100.00 %	100.00 %	5,976	5,976
Sapos Properties (Bloemfontein) (Pty) Ltd	100.00 %	100.00 %	1,314	1,314
Sapos Properties (East Rand) (Pty) Ltd	100.00 %	100.00 %	14,358	14,358
Sapos Properties (Port Elizabeth) (Pty) Ltd	100.00 %	100.00 %	1,885	1,885
The Courier and Freight Group (Pty) Ltd	100.00 %	100.00 %	1,053	1,053
The Document Exchange (Pty) Ltd	100.00 %	100.00 %	-	-
			33,150	**33,150**
Impairment of investment in subsidiaries			**(1,217)**	**(1,217)**
			31,933	**31,933**

*Truebill (Pty) Ltd remains dormant.

The investments in subsidiary companies listed above are unlisted.

Notes to the Separate and Consolidated Financial Statements

8. Intergroup loans and receivables

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Loans and receivables				
Sapos Properties (Rossburgh) (Pty) Ltd	-	-	2,085	2,318
This loan is interest free and has no fixed terms of repayment.				
The full amount has been impaired.				
Sapos Properties (Cape Town) (Pty) Ltd	-	-	(321)	(197)
This loan is interest free and has no fixed terms of repayment.				
The full amount has been impaired.				
Sapos Properties (Bloemfontein) (Pty) Ltd	-	-	251	183
This loan is interest free and has no fixed terms of repayment.				
The full amount has been impaired.				
Sapos Properties (East Rand) (Pty) Ltd	-	-	4,072	2,601
This loan is interest free and has no fixed terms of repayment.				
The full amount has been impaired.				
Sapos Properties (Port Elizabeth) (Pty) Ltd	-	-	(342)	(10)
This loan is interest free and has no fixed terms of repayment.				
The full amount has been impaired.				
The Courier and Freight Group (Pty) Ltd	-	-	219,322	219,322
This loan is interest free and has no fixed terms of repayment.				
The full amount has been impaired.				
	-	**-**	**225,067**	**224,217**

The property companies do not have a separate bank account and the amounts arose as a result of transactions which the SA Post Office administered on behalf of the companies.

The South African Post Office (SOC) Limited does not anticipate the recovery of the above mentioned loans within the next 12 months.

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Receivables				
The Courier and Freight Group (Pty) Ltd	**-**	**-**	**485,203**	**485,203**
Impairment				
The Courier and Freight Group (Pty) Ltd	**-**	**-**	**(704,524)**	**(704,524)**
Split between non-current and current portions				
Non-current assets	**-**	**-**	**5,746**	**4,896**

Notes to the Separate and Consolidated Financial Statements

9. Other financial assets

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
At fair value through profit or loss				
Namibia SADC	-	2,294	-	-
Investment at fair value: Post retirement Medical Aid	1,246,380	1,014,053	1,246,380	1,014,053
	1,246,380	**1,016,347**	**1,246,380**	**1,014,053**
At fair value through other comprehensive income (OCI)				
Unlisted shares - Centriq Insurance Innovation (Pty) Ltd	133,639	129,103	133,639	129,103
Total other financial assets	**1,380,019**	**1,145,450**	**1,380,019**	**1,143,156**
Non-current assets				
At fair value through profit and loss	884,367	678,875	884,367	676,581
At fair value through OCI	133,639	129,103	133,639	129,103
	1,018,006	**807,978**	**1,018,006**	**805,684**
Current assets				
At fair value through profit and loss	362,013	337,472	362,013	337,472
	1,380,019	**1,145,450**	**1,380,019**	**1,143,156**

The Group owns an equity stake of 10 ordinary shares in Ithuba Holdings (Pty) Ltd which represents 5,00% holding. The fair value of the shares was determined by the Post Office management to be zero at year end. The shares were allocated to the Post Office by the Department of Trade and Industry.

The unlisted shares held in the cell captive Centriq Insurance Innovation (Pty) Ltd are classified as subsequently measured at fair value through other comprehensive income (FVOCI), which are measured at fair value, with fair value gains and losses recognised directly in other comprehensive income.

The Group designated the investments at FVOCI because these equity securities represent investments that the Group intends to hold long term for strategic purposes.

Fair value information of assets at fair value through profit or loss

Financial assets at fair value through profit or loss are measured at fair value, which is therefore equal to their carrying amounts

The following classes of financial assets at fair value through profit and loss are measured through fair value using quoted market prices:

- Local cash
- Local bonds
- Local equity
- Foreign cash
- Foreign bonds

Notes to the Separate and Consolidated Financial Statements

9. Other financial assets

Fair value hierarchy of financial assets at fair value through profit and loss

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 data (unobservable inputs).

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Level 1				
Local bonds	358,971	330,746	358,971	330,746
Local equity	526,687	313,021	526,687	313,021
Foreign bonds	11,829	43,069	11,829	43,069
Total level 1	**897,487**	**686,836**	**897,487**	**686,836**
Level 2				
Local and foreign investment & NOC's	348,894	327,216	348,894	327,216
Total level 1 and 2	**1,246,380**	**1,014,053**	**1,246,380**	**1,014,053**

For the current and previous financial years, there were no transfers between level 1 and 2. Financial assets at fair value through profit or loss are denominated in the following currencies:

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Rand			**1,246,380**	**1,014,053**

Fair value information of financial assets measured at fair value through other comprehensive income

Financial assets classified as subsequently measured at fair value through other comprehensive income are recognised at fair value unless they are unlisted equity instruments and the fair value cannot be determined using other means, in which case they are measured at cost. Fair value information is not provided for these financial assets. Management believes that cost approximates fair value.

The carry value (based on the audited annual financial statements of Centriq) is used in the determination of the fair value of unlisted shares for which no reference can be made to quoted market prices. Management believes that the carrying value approximates the fair value of this investment.

Notes to the Separate and Consolidated Financial Statements

9. Other financial assets

Fair value hierarchy of other comprehensive income 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 data (unobservable inputs).

Management are of the opinion that the carrying value of the unlisted shares are more indicative of fair values derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs) and therefore for more accurate disclosure, the unlisted shares should be included in level 3.

There were no transfers in or out of Level 3 during the current year.

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Level 3				
Unlisted shares - Centriq Insurance Innovation (Pty) Ltd	133,639	129,103	133,639	129,103
Total level 3	**133,639**	**129,103**	**133,639**	**129,103**

Reconciliation of financial assets classified as subsequently measured at fair value through OCI measured at level 3

The carrying amount of these financial instruments is as follows:

Reconciliation of OCI financial assets measured at level 3 - Group Company 2021	**Opening balance**	**Gains or losses in other comprehensive income**	**Closing balance**
	R '000	**R '000**	**R '000**
Unlisted shares - Centriq Insurance Innovation (Pty) Ltd	**129,102**	**4,537**	**133,639**

	Opening balance	**Gains or losses in other comprehensive income**	**Closing balance**
Reconciliation of OCI financial assets measured at level 3 - Group & Company 2020	**R '000**	**R '000**	**R '000**
Unlisted shares - Centriq Insurance Innovation (Pty) Ltd	**122,645**	**6,458**	**129,103**

Notes to the Separate and Consolidated Financial Statements

9. Other financial assets

SA Post Office is a holder of preference share in Centriq Insurance Company Limited (Centriq). In terms of the preference share agreement, Centriq operates a cell captive facility for SA Post Office.

The financial position and results of the insurance operations conducted through the cell captive are presented in the form of management accounts. The management accounts include a balance sheet as at 31 March 2021, as well as an income statement for the period then ended.

The fair value of the preference share is determined with reference to the Adjusted net asset value.

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.

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 2021 and 2020, as all the financial assets were disposed of at their redemption date.

The South African Postbank is a government owned entity that is trading in South Africa. Their principle place of business is located in the NPC Building, C/o Sophie de Bruyn Street, and Jeff Masemola Street, in Pretoria. The South African Post Office (SOC) Ltd holds 100% interest in Postbank as per the South African Postbank Limited Act, 2010. The South African Post Office (SOC) Ltd have not received any consideration for the transfer of the Postbank division, and still remains uncertain whether any compensation will be received in this regard. The South African Post Office (SOC) Limited does not have control over the subsidiary as per IFRS 3, as the power resides with Postbank's board of directors and Parliament.

Further to the non-control over the entity, the interest held in the Postbank has significant restrictions being that it is not readily available to sell in the market, and as there exist no future expectation of capital appreciation of economic benefits and returns from this investment.

The initial investment in Postbank has been initially recognised at its deemed cost of R100 for the share received in Postbank.

The investment in Postbank have subsequently been assessed for revaluation to fair value. The method of fair value is determined by the circumstances of available data in terms of IFRS 13. There is currently no similar market information available to determine a quoted market price or external market value. Due to the limited marketability of the interest and that The South African Post Office has no control over the subsidiary, the fair market value of the interest could not be reliably estimated.

10. Operating lease asset (accrual)

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Non-current assets	3,118	7,762	3,076	7,593
Current assets	3,266	2,030	3,516	2,002
	6,384	**9,792**	**6,592**	**9,595**

The Group has entered into operating leases for buildings. It straight-lined its operating leases where it is the lessee over period of the lease contract.

Notes to the Separate and Consolidated Financial Statements

11. Retirement benefits

Post retirement benefits

Group 2021	Post retirement telephone subsidy	Post-retirement medical aid subsidy	Provident Fund	Pension fund	Total
Present value of obligation					
Balance at the beginning of the year	952	1,070,812	627	4,910,583	5,982,974
Service cost	-	-	-	880	880
Finance expense	102	128,568	38	636,141	764,849
Benefits paid	(117)	(138,167)	(74)	(584,980)	(723,338)
Transfers	-	-	-	188,170	188,170
Actuarial (gains) / losses	(179)	27,986	(31)	(237,377)	(209,601)
Present value of obligation at end of the year	**758**	**1,089,199**	**560**	**4,913,417**	**6,003,934**

	Post retirement telephone subsidy	Post-retirement medical aid subsidy	Provident fund	Pension fund	Total
Present value of assets					
Balance at the beginning of the year	-	-	43,038	5,799,477	5,842,515
Expected return on assets	-	-	2,732	756,040	758,772
Contributions received	-	-	-	1,930	1,930
Transfers	-	-	-	188,170	188,170
Benefits paid	-	-	(74)	(584,980)	(585,054)
Actuarial (gains) / losses	-	-	(464)	891,973	891,509
Present value of assets at end of the year	**-**	**-**	**45,232**	**7,052,610**	**7,097,842**

	Post retirement telephone liability	Post Retirement medical aid subsidy	Provident fund	Pension fund	Total
Net present value (obligation) / asset					
Present value obligation	(758)	(1,089,199)	(560)	(4,913,417)	(6,003,934)
Present value assets	-	-	45,232	7,052,610	7,097,842
(Deficit) / surplus	**(758)**	**(1,089,199)**	**44,672**	**2,139,193**	**1,093,908**
Asset ceiling	-	-	-	(2,139,193)	(2,139,193)
Net present (obligation) / asset	**(758)**	**(1,089,199)**	**44,672**	**-**	**(1,045,285)**

Notes to the Separate and Consolidated Financial Statements

11. Retirement benefits

Group 2020	Post retirement telephone subsidy	Post-retirement medical aid subsidy	Provident Fund	Pension fund	Total
Present value of obligation					
Balance at the beginning of the year	2,910	1,404,011	1,460	5,393,853	6,802,234
Service cost	-	-	-	1,251	1,251
Finance expense	251	131,029	92	557,260	688,632
Benefits paid	(145)	(141,249)	(833)	(559,214)	(701,441)
Transfers	-	-	-	536,858	536,858
Actuarial (gains) / losses	(2,064)	(322,979)	(92)	(1,019,425)	(1,344,560)
Present value of obligation at end of the year	**952**	**1,070,812**	**627**	**4,910,583**	**5,982,974**

	Post retirement telephone subsidy	Post retirement medical aid subsidy	Provident fund	Pension fund	Total
Present value of assets					
Opening balance at the beginning of the year	-	-	40,216	6,300,857	6,341,073
Expected return on assets	-	-	2,969	651,181	654,150
Contribution received	-	-	-	1,944	1,944
Transfers	-	-	-	536,857	536,857
Benefits paid	-	-	(442)	(559,214)	(559,656)
Actuarial gains / (losses)	-	-	296	(1,132,149)	(1,131,853)
Present value of asset at end of the year	**-**	**-**	**43,039**	**5,799,476**	**5,842,515**

	Post retirement telephone subsidy	Post-retirement medical aid subsidy	Provident Fund	Pension fund	Total
Net present value (obligation) / asset					
Present value obligation	(952)	(1,070,812)	(627)	(4,910,583)	(5,982,974)
Present value asset	-	-	43,038	5,799,476	5,842,514
(Deficit) / surplus	**(952)**	**(1,070,812)**	**42,411**	**888,893**	**(140,460)**
Asset ceiling	-	-	-	(888,893)	(888,893)
Net present (obligation) / asset	**(952)**	**(1,070,812)**	**42,411**	**-**	**(1,029,353)**

Notes to the Separate and Consolidated Financial Statements

11. Retirement benefits

Company 2021	Post retirement telephone subsidy	Post-retirement medical aid subsidy	Provident Fund	Pension fund	Total
Present value of obligation					
Balance at the beginning of the year	952	1,070,812	627	4,910,583	5,982,974
Service cost	-	-	-	880	880
Finance expense	102	128,568	38	636,141	764,849
Benefits paid	(117)	(138,167)	(74)	(584,980)	(723,338)
Transfers	-	-	-	188,170	188,170
Actuarial (gains) / losses	(179)	27,986	(31)	(237,377)	(209,601)
Present value of obligation at end of year	**758**	**1,089,199**	**560**	**4,913,417**	**6,003,934**

	Post retirement telephone subsidy	Post-retirement medical aid subsidy	Provident Fund	Pension fund	Total
Present value of assets					
Opening balance at the beginning of the year	-	-	43,038	5,799,477	5,842,515
Expected return on assets	-	-	2,732	756,040	758,772
Contribution received	-	-	-	1,930	1,930
Transfers	-	-	-	188,170	188,170
Benefits paid	-	-	(74)	(584,980)	(585,054)
Actuarial gains / (losses)	-	-	(464)	891,973	891,509
Present value of asset at end of the year	**-**	**-**	**45,232**	**7,052,610**	**7,097,842**

	Post retirement telephone subsidy	Post-retirement medical aid subsidy	Provident Fund	Pension fund	Total
Net present value (obligation) / asset					
Present value of obligation	(758)	(1,089,199)	(560)	(4,913,417)	(6,003,934)
Present value of asset	-	-	45,232	7,052,610	7,097,842
(Deficit) / surplus	**(758)**	**(1,089,199)**	**44,672**	**2,139,193**	**1,093,908**
Asset ceiling	-	-	-	(2,139,193)	(2,139,193)
Net present (obligation) / asset	**(758)**	**(1,089,199)**	**44,672**	**-**	**(1,045,285)**

Notes to the Separate and Consolidated Financial Statements

11. Retirement benefits

Company 2020	Post retirement telephone subsidy	Post-retirement medical aid subsidy	Provident Fund	Pension fund	Total
Present value of obligation					
Balance at the beginning of the year	2,910	1,404,011	1,460	5,393,853	6,802,234
Service cost	-	-	-	1,251	1,251
Finance expense	251	131,029	92	557,260	688,632
Benefits paid	(145)	(141,249)	(833)	(559,214)	(701,441)
Transfers	-	-	-	536,858	536,858
Actuarial (gains) / losses	(2,064)	(322,979)	(92)	(1,019,425)	(1,344,560)
Present value of obligation at end of year	**952**	**1,070,812**	**627**	**4,910,583**	**5,982,974**

	Post retirement telephone subsidy	Post-retirement medical aid subsidy	Provident Fund	Pension fund	Total
Present value of assets					
Opening balance at the beginning of the year	-	-	40,216	6,300,857	6,341,073
Expected return on assets	-	-	2,969	651,181	654,150
Contribution received	-	-	-	1,944	1,944
Transfers	-	-	-	536,857	536,857
Benefits paid	-	-	(442)	(559,214)	(559,656)
Actuarial gains / (losses)	-	-	295	(1,132,149)	(1,131,854)
Present value of asset at end of the year	**-**	**-**	**43,038**	**5,799,476**	**5,842,514**

	Post retirement telephone subsidy	Post-retirement medical aid subsidy	Provident Fund	Pension fund	Total
Net present value (obligation) / asset					
Present value of obligation	(952)	(1,070,812)	(627)	(4,910,583)	(5,982,974)
Present value of asset	-	-	43,038	5,799,476	5,842,514
(Deficit) / surplus	**(952)**	**(1,070,812)**	**42,411**	**888,893**	**(140,460)**
Asset ceiling	-	-	-	(888,893)	(888,893)
Net present (obligation) / asset	**(952)**	**(1,070,812)**	**42,411**	**-**	**(1,029,353)**

Notes to the Separate and Consolidated Financial Statements

11. Retirement benefits

Post retirement telephone subsidy

The Group has undertaken to pay the telephone accounts for certain retired employees and their surviving spouses until either the time of their death, that of their spouse or when they change their phone numbers or addresses. 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 or losses and past service costs are recognised immediately. There are no plan assets for this liability and the employer funds this as the need for settlement arises

The results of the valuation are dependent on the underlying assumptions made. The assumptions represent our best estimate of future experience. The actual cost of the subsidy will however be dependent on the actual experience.

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
The amounts recognised in profit and loss:				
Finance expense	102	251	102	251
The amounts recognised in other comprehensive income (OCI):				
Remeasurements of post retirement telephone subsidy (actuarial (gains) / losses)				
Changes in assumptions	54	83	54	83
Experience adjustment	(233)	1,981	(233)	1,981
	(77)	**2,315**	**(77)**	**2,315**

Actuarial assumptions: Post retirement telephone subsidy

The tables below illustrate the likely impact on SA Post Office that certain changes to the underlying assumptions would have on the results. These values are determined by assuming all other relevant assumptions remain constant. (Amounts in R'000).

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Discount Rate				
1% increase	723.00		723.00	
Current Assumption	758.00		758.00	
1% decrease	797.00		797.00	
Mortality				
PA(90)+1	721.00		721.00	
Current Assumption (Mortality PA(90))	758.00		758.00	
PA(90)-1	795.00		795.00	

Notes to the Separate and Consolidated Financial Statements

11. Retirement benefits

The assumptions used are based on statistics and market data as at 31 March 2021.

Financial markets are currently experiencing increased volatility. While discount rate levels have risen, inflation expectations have not risen to the same degree resulting in an increase in the real rate of return. The Sensitivity section quantifies the effects of a narrowing and widening of the discount rates by 1% per annum. It is specifically noted that the assumptions used in preparing these disclosures are the responsibility of the Company. The assumptions were set by the Company, after taking actuarial advice, as required by the IAS 19 standard.

Discount rate assumption - The discount rate required by IAS19 should be set with reference to a high quality corporate bond. In countries where there is no deep market in such bonds, the market yield on Government bonds should be used. We have set the discount rate by using the best fit discount rate at 31 March 2021 based on the yields from the zero coupon government bond curve. The best fit has been determined taking into account the duration of the liabilities, which is approximately 8,0 years. The duration takes into account the reversion of the benefit to the spouse on the death of the pensioner. The recommended discount rate is 10.00%.

Future inflation assumption - The general inflation assumption is used to estimate the rate for determining the rate at which the future subsidies will increase. We have estimated the market's pricing of inflation by comparing the yields on index linked government bonds and long-term government bonds with a duration of 8 years. The implied inflation assumption is therefore 6.30% per annum for future inflation.

Assets - The Company does not have any specific assets set aside to prefund for this liability. We have therefore not included any asset value in this report.

Net discount rate - Even though the actual values used for the discount rate and the expected increase in subsidies are important, the "gap" between the two assumptions is more important. This "gap" is referred to as the net discount rate. The net discount rate is 3.48% per annum. (This is derived from a discount rate of 10.00% and the expected inflation rate of 6.30%)

Post retirement mortality - We have used the PA(90) mortality table. We have further assumed that the benefit is payable for the lifetime of the pensioner and will continue to the spouse on the death of the pensioner.

Family profile - We have assumed that 30% of the pensioners are married and that the male spouse is 3 years older than the female spouse.

There is no service cost as the liability only relates to pensioners and the liability is fully accrued. Allowance was made in the calculation for inflationary increases in respect of the subsidy.

Notes to the Separate and Consolidated Financial Statements

11. Retirement benefits

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Other assumptions				
Discount rate	10.00 %	11.35 %	10.00 %	11.35 %
Long-term price inflation	6.30 %	6.11 %	6.30 %	6.11 %

Post retirement medical subsidy

During the 2008/2009 financial period, R456,8 million worth of assets were transferred to the South African Post Office (SOC) Limited as a result of the Registrar for Medical Schemes' 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 Company has negotiated with bargaining unit employees that employees retiring after 30 June 2005 will not receive PRMA benefits. This curtailment of benefits was accounted for during the 2005 period. In addition, spouses and dependents of employees who passed 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.

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
The amounts recognised in profit and loss:				
Interest cost	128,568	131,029	128,568	131,029
The amounts recognised in other comprehensive income (OCI):				
Remeasurements of post retirement medical subsidy (actuarial (gains) / losses)				
Change in assumptions	55,640	(157,308)	55,640	157,308
Experience adjustment	(27,654)	(165,672)	(27,654)	165,672
	156,554	**(191,951)**	**156,554**	**454,009**

Notes to the Separate and Consolidated Financial Statements

11. Retirement benefits

Actuarial assumptions: Post retirement medical subsidy

These tables set out the impact on results as a consequence of changes to assumptions on the discount and post-retirement mortality rates.

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Discount rate				
1% increase	1,023,723		1,023,723	
Current Assumption	1,089,199		1,089,199	
1% decrease	1,163,873		1,163,873	
Post-retirement mortality rate				
1% increase	1,041,529		1,041,529	
Current Assumption	1,089,199		1,089,199	
1% decrease	1,137,682		1,137,682	

The assumptions used are based on statistics and market data as at 31 March 2021. The sensitivity section quantifies the effects of a narrowing and widening of the net discount rates by 1% per annum.

Discount rate assumption - The discount rate required by IAS19 should be set with reference to a high-quality corporate bond. In countries where there is no deep market in such bonds, the market yield on government bonds should be used. We have set the discount rate by using the average yields from the zero-coupon government bond curve with a duration of between 10 and 15 years. The recommended discount rate is 12,68%. The source is the Johannesburg Stock Exchange through Inet BFA data service.

Future inflation assumption - The general inflation assumption is used to estimate the base rate for determining the rate at which the future subsidies will increase. We have estimated the market's pricing of inflation by comparing the yields on index- linked government bonds and long-term government bonds with a duration of between 10 and 15 years. The implied inflation assumption is therefore 8,14% per annum for future inflation. We assumed that medical inflation will exceed general inflation by 1,5% per annum. The implied medical inflation assumption is therefore 9,64% per annum.

Net discount rate - Even though the actual values used for the discount rate and the expected increase in salary inflation are important, the "gap" between the two assumptions is more important. This "gap" is referred to as the net discount rate. The net discount rate is assumed to be 2,77% per annum (Derived from a discount rate of 12,68% and the expected salary inflation rate of 9,64%). The net discount rate was 3,54% per annum at the previous valuation.

Notes to the Separate and Consolidated Financial Statements

11. Retirement benefits

Post-retirement mortality - The PA(90) mortality table was used. This assumption is consistent with the assumption used for the previous valuation report.

Age of spouse - The actual age of the spouse was used in the valuation. This assumption is consistent with the assumption used for the previous valuation report.

Developments since the previous valuation - There were no changes to the rules governing payment and eligibility for the post- retirement medical aid benefits since the previous valuation. As far as assumptions are concerned only the discount rate and inflation rate which are dependent on the market at the time of the valuation differed from the previous valuation. All other assumptions are broadly consistent with that used at the previous valuation unless otherwise stated.

As the liability only relates to pensioners the liability is fully accrued and there is no service cost. Allowance has been made in these calculations for the liabilities of South African Post Office to increase in line with medical inflation. For CFG pensioners with a fixed subsidy, we have assumed that no future increases will occur. Should any increases in the fixed subsidy be implemented in future, this liability will increase.

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Other assumptions				
Discount rate	12.68 %	12.81 %	12.68 %	12.81 %
Medical Inflation increase rate	9.64 %	8.95 %	9.64 %	8.95 %
Long term price inflation	8.14 %	7.45 %	8.14 %	7.45 %

Notes to the Separate and Consolidated Financial Statements

11. Retirement benefits

Provident fund

The South African Post Office (SOC) Limited provident fund (the fund) was established on 1 August 1993 to hedge the leave liability beyond a specific threshold. The fund became dormant on 1 April 2004 when all leave entitlement and salaries were capped.

In terms of a surplus apportionment scheme conducted by the fund some years ago, an Employer Surplus Reserve was created within the ambit of the fund and in terms of the Pension Funds Act, 1956 (Act No. 24 of 1956, as amended) for the benefit of the South African Post Office (SOC) Limited.

The fund is a separate legal entity, distinct from its members and is capable in law, in its own name, of suing and of being sued, and of acquiring, holding and alienating property, movable and immovable. The assets held by the fund are registered in the name of the fund.

As per the rules of the fund, the South African Post Office (SOC) Limited is required to meet the balance of cost of financing the benefits provided by the fund, which would include the any fund deficit. At year end, the South African Post Office (SOC) Limited met the balance of cost of financing the benefits provided by the fund. The Employer Surplus Reserve is available to fund future deficits should they arise.

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
The amounts recognised in profit and loss:				
Net interest (income) / cost	(2,694)	(2,877)	(2,694)	(2,877)
The amounts recognised in other comprehensive income (OCI):				
Remeasurements of provident fund (actuarial (gains) / losses)				
Change in assumptions	4	(4)	4	(4)
Experience adjustment	(35)	(88)	(35)	(88)
	(2,725)	**(2,969)**	**(2,725)**	**(2,969)**

Actuarial assumptions: Provident fund

These tables set out the impact on results as a consequence of changes to assumptions on the discount rate and the retirement mortality rates.

Notes to the Separate and Consolidated Financial Statements

11. Retirement benefits

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Discount rate				
1% increase	557		557	
Current Assumption	560		560	
1% decrease	562		562	
Post-retirement mortality rate				
1% increase	533		533	
Current Assumption	560		560	
1% decrease	566		566	

The assumptions used are based on statistics and market data as at 31 March 2021. Financial markets are currently experiencing increased volatility. The Sensitivity section quantifies the effects of a narrowing and widening of the net discount rates by 1% per annum.

Discount rate assumption - The discount rate required by IAS19 should be set with reference to a high-quality corporate bond. In countries where there is no deep market in such bonds, the market yield on government bonds should be used. As a significant proportion of the liability is expected to be paid out immediately, we have set the discount rate by using the average discount rate at 31 March 2021 based on the yields from the zero coupon government bond curve with a duration of between 0 and 3 years. The recommended discount rate is 4,74%. The source is the Johannesburg Stock Exchange through Inet BFA data service. The discount rate for the previous valuation was 6,35%.

Future inflation assumption - The benefit does not increase in future as such the general inflation assumption is not required. Net discount rate - The net discount rate is 4,74% per annum as the benefits do not increase in future.

Assets - We have been advised by the actuary to the Provident Fund that the Employer Surplus Account has an estimated balance of R 45,232 million at 31 March 2021. For purposes of the valuation we have taken the asset value to be R 45,232 million.

Pre-retirement mortality - We have assumed that the pre-retirement mortality will be in line with SA585-90 (Light) table, rated down by three years for both male and female employees. This assumption is consistent with the assumption used for the previous valuation report.

Assumed retirement age - The normal retirement age of the group is 65 years. We have been advised that the average age for retiring members is 59 years of age. A retirement age of 59 years is assumed. For employees currently over age 59 we have provided for the immediate value of the benefit. This assumption is consistent with the assumption used for the previous valuation report.

Developments since the previous valuation - There were no changes to the rules governing payment and eligibility for the Provident Fund leave benefits since the previous valuation. As far as assumptions are concerned only the discount rate which are dependent on the market at the time of the valuation differed from the previous valuation. All other assumptions are broadly consistent with that used at the previous valuation unless otherwise stated.

The accounting standard requires that the liabilities are valued using the Projected Unit Credit Method. This method was therefore used to value the liabilities. The service in respect of the leave days was fully accrued for.

Notes to the Separate and Consolidated Financial Statements

11. Retirement benefits

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Other assumptions				
Discount rate	4.74 %	6.35 %	4.74 %	6.35 %
Expected return on plan assets	4.74 %	6.35 %	4.74 %	6.35 %
Long term price inflation	3.17 %	3.71 %	3.17 %	3.71 %

The South African Post Office (SOC) Limited retirement fund (the fund) previously known as the Post Office Pension Fund, was established on 1 October 1991 in terms of section 9(1) of the Post Office Act, 1958 (Act No.44 of 1958, as amended). The fund only allowed for defined benefit members until 30 November 2005 when it was converted into primarily a defined contribution scheme. It then became known as the South African Post Office (SOC) Limited retirement fund.

The fund is a separate legal entity, distinct from its members and is capable in law, in its own name, of suing and of being sued, and of acquiring, holding and alienating property, movable and immovable.

The assets held by the fund are registered in the name of the fund which has as its objective the provision of retirement and ancillary benefits to all its beneficiaries, being pensioners and active members.

In terms of section 10A of the South African Post Office 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 capital adequacy analysis, the fund was fully funded and the actuary concluded that it was in a sound financial position.

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
The amounts recognised in profit and loss:				
Service cost	880	1,251	880	1,251
Net interest income	119,899	93,921	119,899	93,921
Remeasurements of post retirement fund (actuarial (gains) / losses)				
Changes in assumptions	118,661	(813,759)	118,661	(813,759)

Notes to the Separate and Consolidated Financial Statements

11. Retirement benefits

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Experience adjustment	(356,038)	(205,666)	(356,038)	(205,666)
Remeasurement of asset				
Asset ceiling	2,139,193	888,895	2,139,193	888,895
	2,022,595	**(35,358)**	**2,022,595**	**(35,358)**

Actuarial assumptions: Pension fund

These tables set out the impact on results as a consequence of changes to assumptions on the discount rate and the post-retirement age rating assumptions.

Discount rate				
1% increase	4,613,673		4,613,673	
Current Assumption	4,913,416		4,913,416	
1% decrease	5,253,221		5,253,221	
Post-retirement age rating				
PA(90) + 1	4,785,351		4,785,351	
Current Assumption	4,913,416		4,913,416	
PA(90) - 1	5,043,300		5,043,300	

The assumptions used are based on statistics and market data as at 31 March 2021. The assumptions are unbiased and mutually compatible.

Discount rate assumption - The discount rate required by IAS19 should be set with reference to a high-quality corporate bond. In countries where there is no deep market in such bonds, the market yield on government bonds should be used. We have used the average nominal yield curve for SA Government bonds with duration of between 15 and 20 years as at 31 March 2021. The recommended discount rate is 14.11%. The source of the yield curve is the Johannesburg Stock Exchange through INET BFA data service. The discount rate assumption used for the previous valuation was 13.48%

Future inflation assumption - The general inflation assumption is used to estimate the base rate for determining the rate at which the future salaries will increase. We have used the difference between nominal and real SA Government bonds with duration of between 15 and 20 years. The implied inflation assumption is therefore 9.23% per annum for future inflation. The source of the yield curves is the Johannesburg Stock Exchange through INET BFA data service. The inflation assumption used for the previous valuation was 7.97%

Future salary inflation assumption - It was assumed that the subsidies will increase in line with 1.00% in excess of general inflation, therefore 10.23% per annum. This is consistent with the assumptions of the previous valuation. The inflation assumption used for the previous valuation was 8.97%.

Net discount rate - Even though the actual values used for the discount rate and the expected increase in medical inflation are important, the "gap" between the two assumptions is

Notes to the Separate and Consolidated Financial Statements

11. Retirement benefits

more important. This "gap" is referred to as the net discount rate. The net discount rate for subsidy inflation is assumed to be 3.52% per annum (derived from a discount rate of 14.11% and the expected salary inflation rate of 10.23%). The net discount rate was 4.14% per annum at the previous valuation.

Pre-retirement mortality - We have assumed that the pre-retirement mortality will be in line with SA85-90 (light) table, rated down by 3 years for female employees. We have not allowed for death as a result of an injury arising in the course of employment with the Entity. This is consistent with the assumptions of the previous valuation.

Post-retirement mortality - The post-retirement mortality assumptions were based on the PA(90) mortality tables. This is consistent with the assumptions of the previous valuation.

Withdrawals - Given the small number of active DB members and their age profile, no specific allowance for withdrawals was made. This implies that the actuarial reserve value is available to provide benefits on voluntary exit and retrenchment. This is consistent with the assumptions of the previous valuation.

Assumed retirement age - The normal retirement age of the remaining active defined benefit members is 65 years. We have assumed, on average, that active members will retire early at age 59. This is the same assumption used at the previous valuation date. This is consistent with the assumptions of the previous valuation.

Marital status - An assumption has been made that 90% of members will be married at retirement with the male spouse being 3 years older than the female spouse. For retired members who are married, we have used the actual date of birth for the spouse where available. Where the spouses date of birth was not available we have assumed that the male spouse is 3 years older than the female spouse. This is consistent with the assumptions of the previous valuation.

Commutation - We have assumed that on retirement all DC pensioners would have commuted a third of their pension on retirement. We have further assumed that all DB–A members and DB–C members would have commuted a third of their pension on retirement. This is consistent with the assumptions of the previous valuation.

The accounting standard requires that the liabilities are valued using the Projected Unit Credit Method, and this method was therefore applied.

The Fund provides benefits of both Defined Benefit and Defined Contribution nature. The liability in respect of active defined benefit members was based on the actual past service of Members in the active service of the Company. The liability in respect of current pensioners is fully accounted for.

The liabilities, assets and reserve accounts relating to the Defined Contribution section of the fund were excluded from the valuation. In aggregate, these liabilities (and assets) amount to approximately R8 billion.

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Other assumptions				
Discount rate	14.11 %	13.48 %	14.11 %	1.48 %
Expected return on plan assets	14.11 %	13.48 %	14.11 %	13.48 %
Long term plan inflation	9.23 %	7.97 %	9.23 %	7.97 %

Notes to the Separate and Consolidated Financial Statements

11. Retirement benefits

Expected contributions and maturity profile		
	2021	**2020**
Expected contributions to the defined benefit plan in future years		
Within the next 12 months (next annual reporting period)	98,238	127,362
Between 1 and 2 years	43,098	92,453
Between 2 and 5 years	285,127	266,609
Between 5 and 10 years	986,722	795,441
Beyond 10 years	516,811	662,464
	1,929,996	**1,944,329**

Maturity profile

The average term to retirement for actives is 8 years for 2021. The average duration for the pensioners is 19 years. For 2020 the average term to retirement is 9 years. The average duration for pensioners is 19.43 years.

For 2019 the average term to retirement is 9 years. The average duration for pensioners is 19.7 years.

For the bond yields, we have used an average duration of 15-20 years for these valuations.

Notes to the Separate and Consolidated Financial Statements

12. Deferred tax

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Deferred tax liability				
Investment property	(17,245)	(18,682)	-	-
Provisions	(29)	(36)	-	-
Deferred lease	(13)	(18)	-	-
Total deferred tax liability	**(17,287)**	**(18,736)**	**-**	**-**
Deferred tax asset				
Tax losses available for set off against future taxable income	1,310	879	-	-

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Deferred tax liability	(17,287)	(18,736)	-	-
Deferred tax asset	1,310	879	-	-
Total net deferred tax liability	**(15,977)**	**(17,857)**	**-**	**-**
Reconciliation of deferred tax asset / (liability)				
At beginning of year	(17,857)	(18,100)	-	-
Investment property	1,438	(144)	-	-
Provisions	7	(55)	-	-
Deferred lease	5	21	-	-
Increases (decreases) in tax loss available to set off against future taxable income	430	421	-	-
	(15,977)	**(17,857)**	**-**	**-**

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 Separate and Consolidated Financial Statements

12. Deferred tax

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Unrecognised deferred tax asset				
Available for sale financial assets adjustments	(11,418)	(10,401)	(11,418)	(10,401)
Tax loss	3,431,231	2,940,337	3,431,231	2,940,337
Government subsidy	40,605	63,735	40,605	63,735
Deferred revenue	31,495	45,579	31,495	45,579
Provisions	618,546	529,397	618,546	529,397
Fixed assets	(419,881)	(451,707)	(419,881)	(451,707)
Financial instruments	(984)	(561)	(984)	(561)
	3,689,594	**3,116,379**	**3,689,594**	**3,116,379**
Unrecognised deferred tax asset for components of other comprehensive income				
Tax effect of items recognised in other comprehensive income for which no deferred tax asset has been recognised.				
Remeasurements on net defined benfit liability/asset	(107,719)	(3,312)	(107,719)	(3,312)
Gain on other financial assets adjustments	-	-	10,525	1,833
	(107,719)	**(3,312)**	**(97,194)**	**(1,479)**

13. Right of use assets

Details pertaining to leasing arrangements, where the group is lessee are presented below:

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Net carrying amounts of right-of-use assets				
The carrying amounts of right-of-use assets are included in the following line items:				
Buildings	305,171	410,375	299,108	403,209
Motor vehicles	49,147	162,305	49,147	162,305
IT equipment	76,219	105,707	76,219	105,707
Computer software	200,903	266,368	200,903	266,368
	631,440	**944,755**	**625,377**	**937,589**

Notes to the Separate and Consolidated Financial Statements

13. Right of use assets

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Remeasurement due to lease modification				
Motor vehicles	**3,623**	**-**	**3,623**	**-**
Additions to right-of-use assets				
Buildings	60,830	112,377	60,830	112,377
Motor vehicles	-	43,332	-	43,332
IT equipment	14,066	121,278	14,066	121,278
Computer software	42,652	310,579	42,652	310,578
	117,548	**587,566**	**117,548**	**587,565**

Depreciation recognised on right-of-use assets

Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss (note 30), as well as depreciation which has been capitalised to the cost of other assets.

Buildings	166,389	151,821	164,930	150,120
Plant and machinery	63	63	-	-
Motor vehicles	116,781	140,588	116,781	140,588
IT equipment	43,554	15,571	43,554	15,571
Computer software	108,117	44,211	108,117	44,211
	434,904	**352,254**	**433,382**	**350,490**
Other disclosures				
Interest expense on lease liabilities	72,747	74,568	72,747	74,568
Total cash outflow from leases	**(506,869)**	**(404,197)**	**(506,869)**	**(404,197)**

Payments associated with short-term leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise of IT equipment and small items of office furniture.

Notes to the Separate and Consolidated Financial Statements

13. Right of use assets

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Lease liabilities				
The maturity analysis of lease liabilities is as follows:				
Within one year	407,985	504,406	407,985	504,406
Two to five years	356,753	608,458	356,753	608,458
More than five years	32,537	53,407	25,994	45,297
	797,275	**1,166,271**	**790,732**	**1,158,162**
Less finance charges component	(75,817)	(128,971)	(75,817)	(128,971)
	721,458	**1,037,300**	**714,915**	**1,029,191**
Non-current liabilities	355,770	598,497	349,227	590,387
Current liabilities	365,688	438,804	365,688	438,804
	721,458	**1,037,301**	**714,915**	**1,029,191**

14. Prepayments

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
IT solutions paid in advance				
Services receivable within a year	2,384	2,376	2,384	2,376

Prepaid expenses are payments made in advance of the future performance of services. These amounts are recorded as assets in the financial statements until the related expenses have been incurred.

Notes to the Separate and Consolidated Financial Statements

15. Inventories

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Merchandise	31,000	31,774	31,000	31,774
Consumables	27,725	49,182	27,618	49,054
	58,725	**80,956**	**58,618**	**80,828**
Inventories (write-downs)	(1,928)	(1,738)	(1,928)	(1,738)
Total inventories net of write-downs	**56,797**	**79,218**	**56,690**	**79,090**

Inventory pledged as security

No inventory has been pledged as security for liabilities.

16. Trade and other receivables

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Financial instruments:				
Trade receivables	505,320	531,698	497,847	523,980
Loss allowance	(73,130)	(74,457)	(69,921)	(71,114)
Trade receivables at amortised cost	**432,190**	**457,241**	**427,926**	**452,866**
Deposits	736	736	-	-
Deferred loss on hedges	2,735	2,287	-	-
Interest accrued on short-term investments	1,552	686	-	-
International debtors (net of impairment)	158,050	271,015	158,050	271,015
Other receivable (net of impairment)	1,021,664	459,302	1,020,608	458,969
Non-financial instruments:				
Value Added Tax	2,562	2,683	-	-
Employee costs in advance	80,168	49,526	80,168	49,526
Total trade and other receivables	**1,699,657**	**1,243,476**	**1,686,752**	**1,232,376**

Notes to the Separate and Consolidated Financial Statements

16. Trade and other receivables

Uncleared Transactions at year end

Included in the current assets (Other Receivable) is an amount of R37 million relating to transactions which were not cleared/resolved at the begining of the year. Because of lack of systems integration, weaknesses in the internal controls during the early stages of the grants payments take over by the South African Post Office and the volume of manual payments transactions taking place at the cash pay points, capturing and reconciliation of the cash movements documents between SA Post Office and Cash In Transit companies was not completed by the year resulting in number of unresolved reconciliation issues.

Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 to 60 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional and does not contain a significant financing component. The group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost.

Fair value of trade receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

Trade receivables impaired

As of 31 March 2021, trade and other receivables of R73 130 (2020: R74 457) were impaired and provided for.

Management believes that all amounts that are past due by more than 120 days are not collectible, based on historical payment behaviour and extensive analysis of customer credit risk, including underlying customer's credit ratings if they are available. There is no enforcement activity with regards to impaired trade receivables.

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
	2021 Impairment	2020 Impairment	2021 Impairment	2020 Impairment
Balance as at 1 April 2020	74,457	80,717	71,114	77,424
Increase/(Decrease)	(1,327)	(6,260)	(1,193)	(6,310)
Balance as at 31 March 2021	73,130	74,457	69,921	71,114

IFRS 9 allows an entity to use a simplified "provision matrix" for calculating expected losses as a practical expedient (e.g., for trade receivables), if consistent with the general principles for measuring expected losses. The provision matrix is based on an entity's historical default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates.

Notes to the Separate and Consolidated Financial Statements

16. Trade and other receivables

The provision matrix and default rates applied (unadjusted) is set out as:

	From 1 to 30 days	From 31 to 60 days	From 61 to 90 days	From 91 to 120 days	From 121 to 360 days	Greater than 360 days
	7.21%	12.62 %	21.12 %	32.71 %	66.67 %	91.67 %

The Group define a default on trade receivables as a non-payment of the trade receivable within 120 days after the issue of the invoice.

The Group has applied the practical expedient of IFRS 15.63, which permits the Group not to adjust the transaction price for the effects of a significant financing component if, at contract inception, it expects the period between the customer payment and the transfer of services to be less than or equal to one year

For trade receivables, repayment is due at the end of the month following the invoice date (which is on average between 30 and 60 days). The Group applies a historic loss rate, adjusted to reflect economic conditions and macro-economic factors. The Group determined that the "unemployment rate" was the most appropriate macro-economic factor that can affect the credit losses of the Group.

The unemployment rate that is applied to adjust the historic default rate is 11,68% and will cater for the downturn in the economic environment due to the impact of COVID-19.

17. Cash and cash equivalents

Cash and cash equivalents include cash on hand and actual bank balances and investments in money market instruments.

The effective interest rate of money market instruments is 7.866% (2020: 7.269 %).

Cash on hand	100,878	146,921	100,869	146,912
Bank balances	1,362,973	1,243,390	1,337,717	1,218,502
Other cash and cash equivalents	277,161	320,791	277,161	320,791
	1,741,012	**1,711,102**	**1,715,747**	**1,686,205**

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Notes to the Separate and Consolidated Financial Statements

18. Share capital

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Authorised				
1,000,000,000 Ordinary shares of R1 each	**1,000,000**	**1,000,000**	**1,000,000**	**1,000,000**
Reconciliation of number of shares issued:				
Reported as at 01 April 2020	8,164,116	8,164,116	8,164,116	8,164,116
Issue of shares – ordinary shares	-	-	-	-
	8,164,116	**8,164,116**	**8,164,116**	**8,164,116**
Issued				
Ordinary shares of R1 each issued at a premium	**8,164,116**	**8,164,116**	**8,164,116**	**8,164,116**

At year end, there are 306,884,118 unissued ordinary shares. This authority remains in force until the next Annual General Meeting.

19. Fair value adjustment assets-available-for-sale reserve

The unlisted shares held in the cell captive Centriq Insurance Innovation (Pty) Ltd are classified as subsequently measured at fair value through other comprehensive income.

Financial assets classified as subsequently measured at fair value through OCI, with fair value gains and losses recognised directly in other comprehensive income as the equity revaluation reserve. The market approach is used in the determination of the fair value of unlisted shares for which no reference can be made to quote market prices.

Available-for-sale financial instruments	**44,713**	**40,176**	**44,173**	**40,176**

Notes to the Separate and Consolidated Financial Statements

20. Financial liabilities at amortised cost

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Non-current liabilities	-	152,097	-	152,097
Current liabilities	152,097	161,338	152,097	161,338
	152,097	**313,435**	**152,097**	**313,435**

Financial liabilities at amortised cost consist of the advance payment of R541 million received from SASSA. This financial liability is an interest free liability which was fair valued at the average market interest rate of 7.63%. This advance payment is repaid through 10% deduction from the services charges payable to SA Post Office under each monthly invoice issued to SASSA, until such time that the advance payment is repaid in full. The difference between the fair value of the liability and the actual amount received was recognised as a government grant. The government grant portion is recognised as income over the period of the financial liability.

21. Provisions

Reconciliation of provisions - Group - 2021

	Opening balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Site restoration	269,912	26,626	(30,032)	(1,454)	65,717	330,769
General provision	14,495	-	-	(114,456)	-	39
Leave pay	177,032	181,065	(173,007)	-	-	185,090
Contractual 13th cheque	68,568	78,863	(68,495)	(73)	-	78,863
Long service cash awards	37,747	6,756	(7,191)	5,124	-	42,436
Long service leave awards	14,575	2,937	(1,794)	1,924	-	17,642
	582,329	**296,247**	**(280,519)**	**(8,935)**	**65,717**	**654,839**

Reconciliation of provisions - Group - 2020

	Opening balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Site restoration	285,363	26,105	(48,836)	-	7,280	269,912
General provision	39	32,171	-	(17,715)	-	14,495
Leave pay	146,174	172,804	(141,946)	-	-	177,032
Contractual 13th cheque	67,590	68,495	(67,517)	-	-	68,568
Long service cash awards	42,374	6,440	(8,849)	(2,218)	-	37,747
Long service leave awards	14,926	2,584	(1,984)	(951)	-	14,575
	556,466	**308,599**	**(269,132)**	**(20,884)**	**7,280**	**582,329**

Notes to the Separate and Consolidated Financial Statements

21. Provisions

Reconciliation of provisions - Company - 2021	Opening balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Site restoration	268,458	26,560	(29,966)	-	65,717	330,769
General provision	14,495	-	-	(14,456)	-	39
Leave pay	177,032	181,065	(173,007)	-	-	185,090
Contractual 13th cheque	68,495	78,863	(68,495)	-	-	78,863
Long service cash awards	36,007	6,554	(7,191)	5,103	-	40,473
Long service leave awards	14,575	2,937	(1,794)	1,924	-	17,642
	579,062	**295,979**	**(280,453)**	**(7,429)**	**65,717**	**652,876**

Reconciliation of provisions - Company - 2020	Opening balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Site restoration	283,843	26,105	(48,770)	-	7,280	268,458
General provision	39	32,171	-	(17,715)	-	14,495
Leave pay	146,174	172,804	(141,946)	-	-	177,032
Contractual 13th cheque	67,444	68,495	(67,444)	-	-	68,495
Long service cash awards	40,612	6,440	(8,827)	(2,218)	-	36,007
Long service leave awards	14,926	2,584	(1,984)	(951)	-	14,575
	553,038	**308,599**	**(268,971)**	**(20,884)**	**7,280**	**579,062**

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Non-current liabilities	285,506	251,626	284,386	250,172
Current liabilities	369,333	330,703	368,490	328,890
	654,839	**582,329**	**652,876**	**579,062**

Leave obligation

Employees are entitled to 22 days leave per annum. As at 31 March the remaining annual leave may be carried forward for a period of six (6) months after year end, otherwise the leave will be forfeited.

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.

Notes to the Separate and Consolidated Financial Statements

21. Provisions

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, an assumption has been applied 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 encashed 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 leave awards

The Group has a policy of increasing leave days when employees reach ten years service 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.

Long service cash awards

The Group has a once off cash award policies in respect of long service. The Group has valued this benefit in the current period, and shall be valuing the benefit annually.

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:

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 the 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.

Notes to the Separate and Consolidated Financial Statements

21. Provisions

	2021	2020
	R '000	R '000
Actuarial assumptions and sensitivity analysis		
Long service cash awards		
Discount rate		
1% increase	40,626	40,626
Current Assumption	42,436	42,436
1% decrease	44,406	44,406
Retirement age		
1% increase	48,864	48,864
Current Assumption	42,326	42,326
1% decrease	35,576	35,576
Leave days		
Discount rate		
1% increase	16,785	16,785
Current Assumption	17,642	17,642
1% decrease	18,580	18,580
Retirement age		
1% increase	20,277	20,277
Current Assumption	17,642	17,642
1% decrease	14,930	14,930

Notes to the Separate and Consolidated Financial Statements

21. Provisions

Actuarial Assumptions

The assumptions used are based on statistics and market data as at 31 March 2021.

Financial markets are currently experiencing increased volatility. The sensitivity section quantifies the effects of a narrowing and widening of the net discount rates by 1% per annum.

Discount rate Assumption

The discount rate required by IAS19 should be set with reference to a high-quality corporate bond. In countries where there is no deep market in such bonds, the market yield on government bonds should be used. We have set the discount rate by using the best fit discount rate at 31 March 2021 based on the yields from the zero coupon government bond curve. The best fit has been determined taking into account the cash-flow weighted duration of the liabilities, which is approximately 7,5 years. The recommended discount rate is 9,58%.

Future Inflation Assumption

The general inflation assumption is used to estimate the base rate for determining the rate at which the future salaries will increase.

We have estimated the market's pricing of inflation by comparing the yields on index linked government bonds and long-term government bonds with a duration of 7.5 years. The implied inflation assumption is therefore 5,99% per annum for future inflation. Future salaries can be expected to increase in line with salary inflation. We assumed that salary inflation will exceed general inflation by 1.0% per annum, i.e. 6,99% p.a.

Assets

The Company does not have any specific assets set aside to fund this liability. We have therefore not included any asset value in this report.

Net Discount Rate

Even though the actual values used for the discount rate and the expected increase in salaries are important, the "gap" between the two assumptions is more important. This "gap" is referred to as the net discount rate. The net discount rate is 2,42% per annum. (derived from a discount rate of 9,58% and the expected salary inflation rate of 6,99%). It should be noted that where a benefit does not increase in future the net gap is equal to the discount rate.

Pre-retirement mortality

We have assumed that the pre-retirement mortality will be in line with SA85-90 (Light) table, rated down by 3 years for female employees. This assumption is in line with the previous assumptions used.

The normal retirement age of the group is 65 years. Evidence has shown that not all members are retiring at the normal retirement age. We have been advised that the average age for retiring members is 59 years of age. A normal retirement age of 59 years is assumed. For employees currently over age 59 we have assumed that they will retire immediately.

Assumed Retirement Age

The normal retirement age of the group is 65 years. Evidence has shown that not all members are retiring at the normal retirement age. We have been advised that the average age for retiring members is 59 years of age. A normal retirement age of 59 years is assumed. For employees currently over age 59 we have assumed that they will retire immediately.

Notes to the Separate and Consolidated Financial Statements

21. Provisions

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Other assumptions				
Discount rate	9.58 %	11.35 %	9.58 %	11.35 %
Salary Inflation increase rate	6.99 %	7.11 %	6.99 %	7.11 %
Expected return on plan assets	N/A	N/A	N/A	N/A
Long term price inflation	5.99 %	6.11 %	5.99 %	6.11 %
Leave encashment				
Discount rate				
1% increase	3,960,023	-	3,911,485	-
Current Assumption	4,074,375	-	4,074,375	-
1% decrease	4,197,654	-	4,146,864	-
Retirement age				
2-year increase	3,713,819	-	3,667,898	-
Current Assumption	4,074,375	-	4,074,375	-
2-year decrease	4,389,743	-	4,337,043	-

Actuarial Assumptions

The assumptions used are based on statistics and market data as at 31 March 2021. Financial markets are currently experiencing increased volatility. The Sensitivity section quantifies the effects of a narrowing and widening of the net discount rates by 1% per annum.

Discount rate assumption

The discount rate required by IAS19 should be set with reference to a high-quality corporate bond. In countries where there is no deep market in such bonds, the market yield on government bonds should be used. We have set the discount rate by using the average yields from the zero-coupon government bond curve with a duration of between 4 and 5 years. The recommended discount rate is 7,02%. The source is the Johannesburg Stock Exchange through Inet BFA data service.

Net discount rate

The benefits do not increase and are pegged at the rate of applicable salary in 2001 or 2002 as applicable. The net discount rate is therefore 7.02% per annum.

Post-retirement mortality assumption:

We have assumed that the pre-retirement mortality will be in line with SA85-90 (Light) table, rated down by 3 years

Notes to the Separate and Consolidated Financial Statements

21. Provisions

for female employees. This assumption is in line with the previous assumptions used. This assumption is consistent with the assumption used for the previous valuation report

Assumed retirement age assumption:

The normal retirement age of the group is 65 years. Evidence has shown that not all members are retiring at exactly these ages. We have been advised that the average age for retiring members is 59 years of age. A normal retirement age of 59 years is assumed. For employees currently over age 59 we have assumed that they will retire in 1 years' time. This assumption is consistent with the assumption used for the previous valuation report.

We have assumed that the capped leave will be encashed on exit from the Company. This assumption is consistent with the assumption used for the previous valuation report.

Take-up rates assumption

We have assumed that the capped leave will be encashed on exit from the Company. This assumption is consistent with the assumption used for the previous valuation report.

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Other assumptions				
Discount rate	7.02 %	9.28 %	7.02 %	9.28 %
Expected return on plan assets	7.02 %	9.28 %	7.02 %	9.28 %
Long term price inflation	4.24 %	5.10 %	4.24 %	5.10 %

22. Borrowings

Held at amortised cost				
Postbank SOC Ltd	202,750	196,127	202,750	196,127

The loan is unsecured and carries interest at the publicly quoted interest rate, compounded monthly in arrears.

The loan is payable as per the agreement.

Split between non-current and current portions				
Non-current liabilities	**202,750**	**196,127**	**202,750**	**196,127**

Notes to the Separate and Consolidated Financial Statements

23. Trade and other payables

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Financial instruments:				
Trade payables	799,122	270,318	758,251	228,794
Accrued expenses	837,229	559,674	828,672	550,767
International trade payables	156,441	256,915	156,441	256,915
Postbank intercompany creditor	3,579,290	2,347,836	3,579,290	2,347,836
Deposits received	79,170	79,181	78,171	78,109
Deferred gain on hedges	3,425	3,742	-	-
Other payables	1,306,345	289,239	1,306,345	289,239
Non-financial instruments:				
Value Added Tax	278,576	18,137	278,234	17,747
	7,039,598	**3,825,042**	**6,985,404**	**3,769,407**

24. Deferred income

Deferred income consists of the following:				
Bulk mail, Parcels, Hybrid, Mail Sundry & Registered letters revenue	1,413	655	1,413	655
Franking mail revenue	1,092	705	1,092	705
Box revenue	108,164	159,648	108,164	159,649
Stamp and envelope revenue	1,712	1,662	1,712	1,662
Speed services revenue	101	109	101	109
Subscription fees	6,634	6,761	-	-
Total deferred income	**119,116**	**169,540**	**112,482**	**162,780**

Notes to the Separate and Consolidated Financial Statements

24. Deferred income

Reconciliation of deferred income - Group 2021

	Opening balance	Additions	Recognised as revenue	Closing balance
Bulk mail, Parcels, Hybrid, Mail Sundry & Registered letters revenue	655	1,413	(655)	1,413
Franking mail revenue	705	1,092	(705)	1,092
Box revenue	159,648	108,164	(159,648)	108,164
Stamp and envelope revenue	1,662	1,712	(1,662)	1,712
Speed services revenue	109	101	(109)	101
Subscription fees	6,761	6,634	(6,761)	6,634
	169,540	**119,116**	**(169,540)**	**119,116**

Reconciliation of deferred income - Group 2020

	Opening balance	Additions	Recognised as revenue	Closing balance
Bulk mail, Parcels, Hybrid, Mail Sundry & Registered letters revenue	621	655	(621)	655
Franking mail revenue	768	705	(768)	705
Box revenue	169,652	159,648	(169,652)	159,648
Stamp and envelope revenue	1,191	1,662	(1,191)	1,662
Speed services revenue	907	109	(907)	109
Subscription fees	5,855	6,761	(5,855)	6,761
	178,994	**169,540**	**(178,994)**	**169,540**

Notes to the Separate and Consolidated Financial Statements

24. Deferred income

Reconciliation of deferred income - Company 2021

	Opening balance	Additions	Recognised as revenue	Closing balance
Bulk mail, Parcels, Hybrid, Mail Sundry & Registered letters revenue	655	1,413	(655)	1,413
Franking mail revenue	705	1,092	(705)	1,092
Box revenue	159,649	108,164	(159,649)	108,164
Stamp and envelope revenue	1,662	1,712	(1,662)	1,712
Speed services revenue	109	101	(109)	101
	162,780	**112,482**	**(162,780)**	**112,482**

Reconciliation of deferred income - Company 2020

	Opening balance	Additions	Recognised as revenue	Closing balance
Bulk mail, Parcels, Hybrid, Mail Sundry & Registered letters revenue	621	655	(621)	655
Franking mail revenue	768	705	(768)	705
Box revenue	169,652	159,649	(169,652)	159,649
Stamp and envelope revenue	1,191	1,662	(1,191)	1,662
Speed services revenue	907	109	(907)	109
	173,139	**162,780**	**(173,139)**	**162,780**

Deferred revenue

SA Post Office recognises deferred revenue for income received in advance on Postal related Income. The valuation of the deferred revenue is based on sampling systems, for Domestic mail (Test post system) and International mail (Quality of Service system). Sampling results are drawn from these systems for mailing made mid-month to end of March to determine the progress of delivery as at year end.

Bulk mail, parcels, hybrid, mail sundry and registered letters revenue

The deferred revenue calculation is based on the mail delivery performance statistics for March. Revenue is recognised based on performance satisfaction obligation at the reporting period. Revenue received in the last ten days prior to year end is deferred based on the progress of delivery. The revenue deferred is expected to be recognised ten days after the reporting period.

Franking mail revenue

The deferred revenue calculation is based on the assumption that ten (10) working days' revenue is unearned. Revenue is recognised based on performance satisfaction obligation at the reporting period. Revenue received in the last ten days prior to year end is deferred based on the progress of delivery.

Notes to the Separate and Consolidated Financial Statements

24. Deferred income

The revenue deferred is expected to be recognised ten days after the reporting period.

Box revenue

The renewal cycle for the rental of the boxes is a calendar year from 1 January to 31 December however; the financial year for the Post Office is 1 April to 31 March. This means that only the revenue for three (3) months of the renewal cycle is earned for that financial year and the remaining nine (9) months of the renewal cycle is regarded as deferred revenue. The revenue deferred is expected to be recognised within nine (9) months after the reporting period.

The drop in box revenue can be attributed to a numerous factors, most notably, closure of Post Office Branches (which led to affected customers opting to terminate their Post Box service subscriptions), and macro-environmental issues such as greater sensitivity to pricing amongst our customers, increased competition from electronic alternatives to physical mail, and the impact of Covid on renewals, which – at present – must be done in person at post office branches.

Stamp and envelope revenue

The deferred revenue calculation is based on the assumption that ten (10) working days revenue is unearned. Revenue is recognised based on performance satisfaction obligation at the reporting period. Revenue received in the last ten days prior to year end is deferred based on the progress of delivery. The revenue deferred is expected to be recognised ten days after the reporting period.

Speed services revenue

The deferred revenue calculation is based on the courier delivery performance statistics for March. Revenue is recognised based on performance satisfaction obligation at the reporting period. Revenue received in the last ten days prior to year end is deferred based on the progress of delivery. The revenue deferred is expected to be recognised ten days after the reporting period.

XPS freight

A sales report is drawn from the Management Information System showing all items billed in the period under review but not yet delivered. Deferred revenue is calculated based on all items whose delivery date is after 31 March as well as for those items without proof of delivery. The revenue deferred is expected to be recognised ten days after the reporting period..

Relating to The Document Exchange (Pty) Ltd:

Subscription fees

Members pay the subscription fee annually, for twelve (12) month period. In cases where the membership overlaps between two financial years, the portion of the amount belonging to the subsequent financial year is the unearned revenue and is deferred to the next financial year. The revenue deferred is expected to be recognised over the remaining subscription period that falls within the new reporting period.

25. Other deposits (grants)

Other deposits (2019 : R508,843) represent the grants payment that has been deposited to the SASSA grant beneficiaries' bank accounts (transactional and savings accounts) and the amount was not withdrawn by the beneficiary as at 31 March 2019. Transactional and savings accounts are all overnight deposits which are all payable on demand.

All amounts owed to the beneficiaries are classified as financial liabilities at cost. Interest payable on both transactional and savings accounts are capitalised monthly. All account holders are individuals within the Republic of South Africa.

All amounts were transferred to Postbank as at 1 April 2019.

Notes to the Separate and Consolidated Financial Statements

26. Funds collected on behalf of third parties

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Agency services and collections	372,471	168,911	372,471	168,911
Money and postal orders	9,274	8,173	9,274	8,173
	381,745	**177,084**	**381,745**	**177,084**

Funds collected from the customers of the Group third party clients are paid into their bank accounts within 24 hours following the collection at Post Office 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.

27. Government grants

Current liabilities				
Unutilised grants	**152,234**	**253,308**	**152,234**	**253,308**
Subsidy received				
Government grants unutilised in prior year	253,308	354,663	253,308	354,663
USO	492,085	474,624	492,085	474,624
Government grants utilised				
Utilised for DTT	(81,825)	(71,702)	(81,825)	(71,702)
Utilised for postal address roll-out	(782)	(1,071)	(782)	(1,071)
Utilised for USO	(427,900)	(412,719)	(427,900)	(412,719)
Value Added Tax (VAT)	(64,185)	(61,908)	(64,185)	(61,908)
SASSA Government Grant (unwinding)	(18,467)	(28,579)	(18,467)	(28,579)
	152,234	**253,308**	**152,234**	**253,308**

Notes to the Separate and Consolidated Financial Statements

28. Revenue

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Revenue from contracts with customers				
Retail products	868	3,373	868	3,373
Services rendered - Postal	1,555,417	2,826,765	1,520,830	2,788,407
Postbank services charged	11	-	11	-
Services rendered - Courier	23,043	54,729	23,043	54,719
Services rendered - Agency and money transfer	1,351,951	1,216,458	1,351,951	1,216,458
	2,931,290	**4,101,325**	**2,896,703**	**4,062,957**
Revenue other than from contracts with customers				
Postbank interest revenue	144	1,138	144	1,138
Total revenue	**2,931,434**	**4,102,463**	**2,896,847**	**4,064,095**

Revenue comprises income from services provided and the sale of retail products, excluding Value Added Tax, rebates, and discounts as well as Postbank interest revenue excluding Value Added Tax.

These services include work performed as an agent for certain Government departments, other authorities and businesses. Refer to note 45 for more information.

29. Other operating income

Commissions received	1,902	1,852	1,902	1,852
Fees earned	2,163	875	2,163	875
Foreign exchange difference	(337)	2,622	(337)	2,622
Other income	203,409	68,451	202,521	67,652
Other recoveries	575,117	611,760	575,052	611,398
Sundry income	2,121	4,328	2,121	4,328
Other rental income	68,960	71,005	66,955	68,676
Remeasurement of right-of-use asset and lease liability	268	-	268	-
Reversal of site restoration provision	1,454	-	-	-
	855,057	**760,893**	**850,645**	**757,403**

Notes to the Separate and Consolidated Financial Statements

30. Operating profit (loss)

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Operating loss for the year is stated after charging (crediting) the following, amongst others:				
Auditor's remuneration - external				
Audit fees	**23,597**	**19,627**	**23,015**	**18,791**
Remuneration, other than to employees				
Administrative and managerial services	1,402	1,427	-	-
Consulting and professional services	587,223	822,979	587,159	822,972
	588,625	**824,406**	**587,159**	**822,972**
Employee costs				
Salaries, wages, bonuses and other benefits	3,365,421	3,377,173	3,347,969	3,357,675
Home-Owner's Allowance	13,440	14,620	13,296	14,523
Motor Scheme Management	16,347	17,457	16,336	17,446
Other short term costs	20,981	52,717	20,824	52,510
Retirement benefit plans: defined contribution expense	327,131	331,374	325,370	329,587
Long term incentive scheme	5,004	5,556	4,899	5,556
Termination benefits	1,534	131,065	1,534	131,065
Total employee costs	**3,749,858**	**3,929,962**	**3,730,228**	**3,908,362**
Depreciation, amortisation and impairments				
Depreciation of property, plant and equipment	125,517	102,177	125,213	101,752
Amortisation of intangible assets	11,244	17,916	11,244	17,916
Depreciation of right-of-use assets	434,841	352,191	433,382	350,490
Impairments	2,229	(3,060)	2,247	(3,060)
Total depreciation and amortisation	**573,831**	**469,224**	**572,086**	**467,098**

Notes to the Separate and Consolidated Financial Statements

31. Employee costs

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Employee costs				
Basic	2,714,807	2,689,684	2,700,485	2,675,055
Bonus	169,950	164,303	168,739	162,380
Medical aid - company contributions	388,614	393,959	387,145	392,736
Unemployment Insurance Fund	26,553	27,287	26,432	27,157
Workers Compensation Assistance	16,581	27,453	16,581	26,629
Skills Development Levy	19,906	31,704	19,794	31,533
Other payroll levies	18	15	-	-
Leave pay provision charge	28,992	42,768	28,793	42,185
Home-Owner's Allowance	13,440	14,620	13,296	14,523
Motor Scheme Management	16,347	17,457	16,336	17,446
Other short term costs	20,981	52,717	20,824	52,510
Retirement benefit plans	327,131	331,374	325,370	329,587
Long-term benefits - incentive scheme	5,004	5,556	4,899	5,556
Termination benefits	1,534	131,065	1,534	131,065
	3,749,858	**3,929,962**	**3,730,228**	**3,908,362**

Notes to the Separate and Consolidated Financial Statements

32. Depreciation, amortisation and impairment losses

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Depreciation				
Property, plant and equipment	125,517	102,177	125,213	101,752
Depreciation - Leased	434,841	352,191	433,382	350,490
	560,358	**454,368**	**558,595**	**452,242**
Amortisation				
Intangible assets	**11,244**	**17,916**	**11,244**	**17,916**
Impairment losses				
Allowance for inventory write down	**2,229**	**(3,060)**	**2,247**	**(3,060)**
Total depreciation, amortisation and impairment				
Depreciation	560,358	454,368	558,595	452,242
Amortisation	11,244	17,916	11,244	17,916
Impairment losses	2,229	(3,060)	2,247	(3,060)
	573,831	**469,224**	**572,086**	**467,098**

33. Investment income

Dividend income				
Equity instruments at fair value through profit or loss:				
Unlisted investments - Local	**17,484**	**16**	**17,484**	**16**
Interest income				
Investments in financial assets:				
Bank and other cash	31,431	102,089	30,871	101,090
Interest on retirement benefit asset	756,040	651,181	756,040	651,181
Total interest income	**787,471**	**753,270**	**786,911**	**752,271**
Total investment income	**804,955**	**753,286**	**804,395**	**752,287**

Notes to the Separate and Consolidated Financial Statements

34. Finance expense

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Interest paid (other)	671	785	-	2
Interest paid (bank)	2,223	584	854	48
Unwinding of site restoration provision	23,606	31,249	23,606	31,249
Finance charges attributable to post-retirement employee benefits	770,863	693,764	770,671	693,764
Term loan interest	95,648	23,756	95,648	23,756
Finance leases	72,747	74,568	72,747	74,568
Total finance costs	**965,758**	**824,706**	**963,526**	**823,387**

35. Fair value adjustments

Fair value gains (losses)				
Post Retirement Medical Aid asset and Provident Fund asset	215,718	(111,126)	215,718	(111,126)

The fair value gains and losses recognised in other financial assets are derived from financial assets subsequently measured at fair value through profit or loss and relate to the Post Retirement Medical Aid Asset as well as the Provident Fund Asset. Refer to note 9 - 11 for more detail.

36. Taxation

Major components of the tax (income) expense				
Current				
Local income tax - current period	1,420	377	-	-
Deferred				
Originating and reversing temporary differences	(1,878)	(244)	-	-
	(458)	**133**	**-**	**-**
Reconciliation of the tax expense				
Reconciliation between applicable tax rate and average effective tax rate.				
Applicable tax rate	28.00 %	28.00 %	28.00 %	28.00 %
Exempt income	(5.68)%	(2.33)%	(13.03)%	(16.38)%
Disallowable charges	3.22 %	1.12 %	14.96 %	17.15 %
Net deferred tax not raised	(25.54)%	(26.79)%	(29.93)%	(54.02)%
	- %	**- %**	**- %**	**(25.25)%**

Notes to the Separate and Consolidated Financial Statements

37. Other operating gains (losses)

		Group		Company	
		2021	2020	2021	2020
		R '000	R '000	R '000	R '000
Fair value gains (losses)					
Investment property	4	-1,306	-791	4,689	-1,399

38. The South African Postbank

The South African Postbank is a government owned entity that is trading in South Africa. Their principle place of business is located in the NPC Building, C/o Sophie de Bruyn Street, and Jeff Masemola Street, in Pretoria. The South African Post Office (SOC) Ltd holds 100% interest in Postbank as per the South African Postbank Limited Act, 2010. The South African Post Office (SOC) Ltd have not received any consideration for the transfer of the Postbank division, and still remains uncertain whether any compensation will be received in this regard. The South African Post Office (SOC) Limited does not have control over the subsidiary as per IFRS 3 as the power resides with Postbank's board of directors and the Minister of Finance.

Although the Postbank Act nominate the South African Post Office as the sole shareholder of the South African Postbank, the rights of the Post Office as set out in the Memorandum of Incorporation of Postbank, can only be excercised upon consent of the minister. The Minister is also currently in process of issuing the Postbank Amendment bill, which will give control of Postbank to a seperate entity, other than the South African Post Office.

Further to the non-control over the entity, the interest held in the Postbank has significant restrictions being that it is not readily available to sell in the market. There is also a material uncertainty with regards to the expectation of economic benefits into the entity, since the approval of any returns must be given by the Minister. This economic benefits include dividends as well as compensation for the stripping of Postbank from the South African Post Office.

In terms of the requirments of the Conceptual Framework relating to the uncertainty in terms of the of economic benefits and inflow into the entity from the potential investment, it is uncertain whether the entity has an financial asset pertaining to Postbank. Since there is no clear indication of economic benefits or change in circumstance that may result in control for the South African Post Office, as further required by the Conceptual Framework, no financial asset is recognised in the financial statements of South African Post Office.

39. Discontinued operations or disposal groups or non-current assets held for sale

In February 2019, the Parliament approved the separation of The South African Postbank (SOC) Limited from the operations of The South African Post Office (SOC) Limited, effective 1 April 2019. As a result the financial information relating to The South African Postbank (SOC) Limited is reclassified and derecognised as a discontinued operation as the criteria for a discontinued operation have been met. The South African Postbank (SOC) Limited have not received any compensation for the separation of the discontinued operation (Refer to note 9). The transaction thus resulted in a net outflow of resources from the South African Post Office (SOC) Limited.

The South African Postbank SOC (Limited) was not previously classified as held-for-sale or as a discontinued operation. The comparative consolidated statement of profit or loss and OCI has been restated to show the discontinued operation separately from continuing operations.

Notes to the Separate and Consolidated Financial Statements

39. Discontinued operations or disposal groups or non-current assets held for sale

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
A. Results of discontinued operations				
Revenue	-	-	-	-
Depreciation and Amortisation	-	-	-	-
Employee cost	-	-	-	-
Other operating expenses	-	-	-	-
Results from operating activities	-	-	-	-
Income tax	-	-	-	-
Profit (loss) from discontinued operations, net of tax	**-**	**-**	**-**	**-**
B. Cash flows from (used in) discontinued operation				
Net cash used in operating activities	-	-	-	-
Net cash from investing activities	-	(1,195,928)	-	(1,195,928)
	-	**(1,195,928)**	**-**	**(1,195,928)**
C. Effect of disposal on the financial position of the Group				
Property, plant and equipment	-	46,906	-	46,906
Intangible assets	-	57,427	-	57,427
Intercompany receivables	-	1,131,942	-	1,131,942
Inventories	-	13,579	-	13,579
Trade and other receivables	-	722,385	-	722,385
Investments	-	6,101,876	-	6,101,876
Cash and cash equivalents	-	1,195,928	-	1,195,928
Provisions	-	(2,880)	-	(2,880)
Trade and other payables	-	(5,791,142)	-	(5,791,142)
Net assets and liabilities	**-**	**3,476,021**	**-**	**3,476,021**
Consideration received, satisfied in cash	-	-	-	-
Cash and cash equivalents disposed of	-	(1,195,928)	-	(1,195,928)
Net cash outflows	**-**	**(1,195,928)**	**-**	**(1,195,928)**

Notes to the Separate and Consolidated Financial Statements

40. Interests in unconsolidated structured entities

The South African Post Office (SOC) Limited is the sole shareholder of the South African Postbank (SOC) Limited. The South African Post Office does not have control over the South African Postbank (SOC) Limited, due to the absence of power.

The power of Postbank resides with the Board of directors of Postbank as well as the Parliament, due to the provisions as set out in The South African Postbank Limited Act, 2010.

41. Cash (used in) / generated from operations

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Loss before taxation	(2,333,667)	(5,340,581)	(2,331,619)	(5,342,817)
Adjustments for:				
Depreciation and amortisation	571,602	472,284	569,839	470,158
Net impairments and movements in credit loss allowances	2,229	(3,060)	2,247	(3,060)
Fair value (gains) losses	(214,412)	111,917	(220,407)	112,525
Movements in operating lease assets and accruals	(1,236)	(1,439)	3,003	(3,256)
Movements in retirement benefit assets and liabilities	(368,831)	(460,541)	(161,718)	(389,564)
Movements in provisions	72,510	28,743	50,208	28,904
Dividends received (trading)	(17,484)	(16)	(17,484)	(16)
Interest income	(787,615)	(754,408)	(786,911)	(753,409)
Finance costs	965,758	824,706	963,526	823,387
Foreign exchange difference	-	(2,622)	337	(2,622)
Services rendered - Agency and money	-	(110,925)	(161,338)	(110,925)
Loss from discontinued operations	-	2,280,093	-	2,280,093
Other operating expenses	(113,418)	116,524	(106,232)	122,375
Prior period error adjustment	227,517	256,439	228,183	206,897

Notes to the Separate and Consolidated Financial Statements

41. Cash (used in) / generated from operations

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Changes in working capital:				
Prepayments	(8)	(13,194)	(8)	385
Inventories	20,192	(12,868)	20,662	(26,649)
Trade and other receivables	(456,518)	(488,556)	(453,993)	(485,602)
Other deposits (grants)	-	(508,843)	-	(508,843)
Borrowings	6,623	196,127	-	196,127
Intergroup loans and receivables	-	(1,131,942)	-	(1,129,771)
Trade and other payables	3,214,556	8,102,144	3,215,998	8,150,014
Contract Liabilities	108	2,112	-	-
Deferred income	(50,424)	(9,454)	(50,298)	(10,359)
Deposits from the public	-	(5,150,268)	-	(5,150,268)
Funds collected on behalf of third parties	204,661	(355,181)	204,661	(355,181)
Government grants	(101,074)	(99,968)	(101,074)	(128,143)
	841,069	**(2,052,777)**	**867,582**	**(2,009,620)**

42. Tax paid

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Balance at beginning of the year	(119)	31	-	-
Current tax for the year recognised in profit or loss	(1,420)	(377)	-	-
Adjustments in respect of prior period error	1,547	227	-	-
Balance at end of the year	(8)	119	-	-
	-	**-**	**-**	**-**

Notes to the Separate and Consolidated Financial Statements

43. Commitments

Authorised capital expenditure

Capital expenditure authorised by the board of directors at reporting date, but not yet recognised in the annual financial statements are as follows:

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Already contracted for but not provided for				
▪ Property, plant and equipment	47,348	7,215	47,303	7,215
▪ Intangible assets	1,718	3,497	1,718	3,497
Total commitments	**49,066**	**10,712**	**49,022**	**10,712**

This committed expenditure will be financed by existing cash resources.

Capital commitments treatment

Capital commitments are disclosed in respect of contracted amounts for which delivery is outstanding at the accounting date.

These amounts are not recognised in the statement of financial position as a liability or as expenditure in the statement of comprehensive income, but are however disclosed as part of the disclosure notes. Management expects these capital commitments to be financed from internally generated cash and other borrowings.

44. Contingencies

Contingent Liabilities				
The following contingent liabilities were identified:				
Civil and Service providers	699,216	118,024	689,944	116,393
Labour cases	5,308	4,540	5,308	4,540
Total contingencies	**704,524**	**122,564**	**695,252**	**120,933**

Notes to the Separate and Consolidated Financial Statements

44. Contingencies

1. Civil and Service providers

Various proceedings were instituted against the SAPO Group during the 2021 and the previous financial years. The amounts being claimed from the Group total approximately R699 million (2020: R118 million). The Group's legal advisors believe that the Group has reasonable defences against the claims and that the probability of loss will be minimal. Accordingly, no provision has been made in the consolidated annual financial statements with regard to these cases.

Included above are the following individually material claims:

1.1 An amount R494 million being an alleged claim against South African Post Office for provisioning of infrastructure.

1.2 An amount R65 million being an alleged claim against South African Post Office for consulting services.

1.3 The Group also incurred various minor claims, the nature of these cases include amongst others the claims against SAPO relating to lost parcels, motor vehicle accident claims by third parties and damages suffered by service providers for late payment by South African Post Office of invoices for services rendered or good delivered.

South African Post Office is insured for motor vehicle accidents and thus these possible liabilities will be reimbursed by the insurance Company.

Contingent Assets				
The following contingent assets were identified:				
Civil claims	**14,280**	**11,339**	**11,739**	**11,339**

The contingent assets include various cases where SA Post Office is a plaintiff. The nature of the cases include amongst others the motor vehicle accident claims, employee's fraud etc. These matters remain contingent as the probabilities of successfully defending the cases remains uncertain.

Notes to the Separate and Consolidated Financial Statements

45. Related parties

Relationships	
Ultimate holding company	South African Government
Holding company	South African Post Office SOC Ltd (SA Post Office)
Subsidiaries	Refer to note 7
Members of key management	Refer to note 46
Shareholder with significant influence	The Department of Communication and Digital Technology
	National Treasury
Post employment benefit plan for employees	Post Office Retirement Fund
Other relationships	South African Government Entities

Inter group transactions and balances.

Balances and transactions between the Company and its subsidiaries, which are related parties of SAPO, have been eliminated on consolidation. Details of transactions between the Group and other related parties are disclosed below.

Terms loans: Unsecured, interest free and no repayment date.

Terms receivables: Unsecured, interest at prime and no repayment date.

Inter governmental transactions and balances.

Inter governmental transactions and balances refers to transactions and balances between SAPO and other government entities.

Only individually significant transactions and balances are disclosed. According to the materiality framework of SAPO, the significant threshold is R100 million. Transactions and balances that are not at arm's length are considered to be significant even if they are below the R100 million threshold. All inter governmental transactions have been made at arm's length.

Notes to the Separate and Consolidated Financial Statements

45. Related parties

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Related party balances				
Loan accounts - Owing (to) / by related parties				
Sapos Properties (Bloemfontein) (Pty) Ltd	-	-	251	183
Sapos Properties (Erf 145018 Cape Town) (Pty) Ltd	-	-	(321)	(197)
Sapos Properties (East Rand) (Pty) Ltd	-	-	4,072	2,601
Sapos Properties (Port Elizabeth) (Pty) Ltd	-	-	(342)	(10)
Sapos Properties (Rossburgh) (Pty) Ltd	-	-	2,085	2,318
The Courier and Freight Group (Pty) Ltd	-	-	704,524	704,524
South African Social Services Agency	(152,097)	(313,434)	(152,097)	(313,434)
Amounts included in Trade and other payables				
Post Office Retirement Fund	(436,784)	-	(436,784)	-
Postbank SOC Limited	(3,699,005)	(2,347,836)	(3,699,005)	(2,347,836)
South African Revenue Services (Employee Tax & other taxes)	(238,957)	(31,187)	(238,957)	(31,187)
South African Revenue Services (VAT)	(276,014)	(452)	(276,014)	(452)
Telkom SA Limited	(161,644)	-	(161,644)	-
Other public entities	(112,832)	(8,488)	(112,832)	(8,488)
Amounts included in Trade and other receivables				
South African Social Services Agency	337,176	394,545	337,176	394,545
Other public entities	27,298	23,472	27,298	23,472
Grant subsidy balance				
Department of Communication and Digital Technology	(152,234)	(253,308)	(152,234)	(253,308)

Notes to the Separate and Consolidated Financial Statements

45. Related parties

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Related party transactions				
Transactions with subsidiaries				
The Document Exchange (Pty) Ltd - Sales	-	-	7,048	9,864
Postbank SOC Limited - Sales	(155)	(1,138)	(155)	(1,138)
Purchases from related parties				
Eskom SOC Limited	(104,998)	(190,579)	(104,998)	(190,579)
Telkom SA Limited	(371,426)	(64,487)	(371,426)	(64,487)
Other Public Entities	(63,307)	(61,357)	(63,307)	(61,357)
Sales to related parties				
South African Social Services Agency	595,096	727,248	595,096	727,248
Other Public Entities	234,158	393,973	234,158	393,973
Transactions with authorities & regulators				
South African Revenue Services (Employee Tax and other Taxes	(274,335)	(340,538)	(274,335)	(340,538)
Unemployment Insurance Fund	(46,562)	(48,132)	(46,562)	(48,132)
Funds collected on behalf of the related parties				
Eskom SOC Limited	119,683	218,390	119,683	218,390
Post Office Retirement Fund	(495,402)	(503,656)	(495,402)	(503,656)
South African Broadcasting Corporation Limited	(131,330)	(149,574)	(131,330)	(149,574)
Other Public Entities	(49,750)	(51,480)	(49,750)	(51,480)
Other transactions				
Department of Communication and Digital	492,085	474,627	492,085	474,627
Technologies - Grant subsidy				

Notes to the Separate and Consolidated Financial Statements

45. Related parties

The remuneration of directors and other members of key management amounted to R34,777 million (2020: R33,812) million).

The assets and liabilities of the post retirement fund and the post-retirement medical aid are valued through an independent valuation. Refer to note 11 for the detailed disclosure.

46. Directors' and prescribed officers' emoluments

The following emoluments were paid to the directors or any individuals holding a prescribed office during the year:

Executive 2021						
		Emoluments	Other benefits[1]	Compensation for loss of office	Arbitration award	Total
Mr L Govender	2	1,024	109	-	-	1,133
Mr RG Kekana	3	1,636	253	122	-	2,011
Ms LO Kwele	4	3,329	20	260	3,740	7,349
Ms R Lange	5	-	238	-	-	238
Mr IA Nongogo	6	1,122	358	88	-	1,568
Ms Z Ntsikeni	7	2,457	115	-	-	2,572
Mr K Ramukumba	8	683	6	50	-	739
Mr PR Tsotetsi	9	-	-	-	-	-
		10,251	1,099	520	3,740	15,610

1. Other benefits include mainly telephone and acting allowance.
2. Appointed as Acting CFO on 1 June 2020 until 30 September 2020 and 1 January 2021 to 30 June 2021.
3. Appointed as CIO on 6 May 2019. Appointed as Acting COO on 23 March - 21 November 2020. Retire 21 January 2021.
4. Appointed as GCOO on 5 June 2017. Suspended on 3 December 2019. Retire 31 January 2021.
5. Appointed as Acting GCEO on 14 September 2020. Retire 31 March 2021.
6. Appointed as Acting GE: Governance and Compliance on 1 July 2018. Appointed as Acting GCEO on 4 December 2019 - 24 July 2020. Retire 31 January 2021.
7. Appointed as GE: Operations on 1 April 2019. Appointed as Acting COO on 1 December 2020 - 31 March 2021.
8. Appointed as GCFO on 1 October 2020. Retire 31 December 2020.
9. Appointed as Acting GCFO on 1 March 2020. Retire 31 May 2020.

Retired implies resigned, retired or dismissed.

Notes to the Separate and Consolidated Financial Statements

46. Directors' and prescribed officers' emoluments

2020					
		Emoluments	Other benefits[1]	Compensation for loss of office	Total
Mr M Barnes	2	2,637	-	245	2,882
Mr J Dlamuka	3	1,953	244	-	2,197
Mr RG Kekana	4	1,829	32	-	1,861
Ms LO Kwele	5	3,338	211	-	3,549
Mr IA Nongogo	6	1,365	279	-	1,644
Ms Z Ntsikeni	7	2,437	262	-	2,699
		13,559	1,028	245	14,832

1. Other benefits include mainly telephone and various travel related reimbursements.
2. Appointed as Group CEO 15 January 2016. Also a director of Document Exchange. Retired 31 July 2019.
3. Appointed as Acting GCFO on 1 June 2018 until 29 February 2020. Also a director of Document Exchange.
4. Appointed as CIO on 6 May 2019. Appointed as Acting COO on 23 March -21 November 2020. Retire 21 January 2021.
5. Appointed as GCOO on 5 June 2017. Appointed as Acting GCEO on 1 August 2019. Revocation as GCEO on 3 December 2019. Also a director of Document Exchange.
6. Appointed as Acting GE: Governance and Compliance on 1 July 2018. Appointed as Acting GCEO on 4 December 2019–24 July 2020. Retire 31 January 2021.
7. Appointed as GE: Operations on 1 April 2019. Appointed as Acting COO on 1 December 2020 - 31 March 2021.

Retired implies resigned, retired or dismissed.

Notes to the Separate and Consolidated Financial Statements

46. Directors' and prescribed officers' emoluments

Non-executive 2021					
		Directors' fees	Other fees [1]	Other fees (Consultancy fees to subsidiary)	Total
Mr ET Lekgau	2	302	1	-	303
Mr SLM Majombozi	3	284	1	-	285
Ms TC Makhubele	4	499	5	-	504
Mr S Manthakga	5	118	1	-	119
Ms YLM Manzini	6	256	-	-	256
Ms NP Ngonyama	7	481	8	-	489
Mr ST Nkese	8	518	6	-	524
Ms S Phillip	9	246	-	-	246
Mr KA Ramoadi	10	169	-	-	169
Ms CM van der Sandt	11	946	4	-	950
Ms N Pietersen	12	293	-	-	293
		4,112	26	-	4,138

1. Emoluments include both directors' fees for meetings and annual / quarterly retainer fees. Travel and accommodation expenses for members outside the Gauteng province.

2. Appointed 1 September 2020.

3. Appointed 2 September 2020.

4. Appointed 25 October 2019. Resigned 23 October 2020.

5. Appointed 1 May 2020. Resigned 20 August 2020.

6. Appointed 3 September 2020.

7. Appointed 25 October 2019.

8. Appointed 25th October 2019.

9. Appointed 4 September 2020.

10. Appointed 25 October 2019. Resigned 20 August 2020.

11. Appointed 25 October 2019 as deputy chairperson. Resigned 6 August 2020 from deputy chairperson and re-appointed as acting chairperson on 7 August 2020.

12. Appointed 5 September 2020.

The note excludes the stamp advisory members which result in the difference between the expense amount and the disclosure amount.

Notes to the Separate and Consolidated Financial Statements

46. Directors' and prescribed officers' emoluments

2020					
		Directors' fees	Committees fees	Other fees (Consultancy fees to subsidiary)	Total
Ms TC Makhubele	2	928	28	-	956
Mr K Matthews	3	413	5	-	418
Ms NP Ngonyama	4	281	28	-	309
Mr ST Nkese	5	151	17	-	168
Dr C Nwaila	6	855	31	-	886
Mr KA Ramoadi	7	274	9	-	283
Mr BM Ramokhele	8	-	-	-	-
Adv G Rasethaba	9	789	32	-	821
Ms CM van der Sandt	10	401	20	-	421
Ms Z Siyotula	11	152	2	-	154
		4,244	**172**	**-**	**4,416**

1. Emoluments include both directors' fees for meetings and annual / quarterly retainer fees. Travel and accommodation expenses for members outside the Gauteng province.
2. Appointed 25 October 2019. Resigned 23 October 2020.
3. Appointed 25 October 2019. Resigned 2 March 2020.
4. Appointed 25 October 2019.
5. Appointed 25 October 2019.
6. Appointed 1 April 2018. Resigned 31 March 2020.
7. Appointed 25 October 2019. Resigned 20 August 2020.
8. Appointed 4 March 2020. Resigned 12 June 2020.
9. Appointed 1 April 2018. Resigned 31 March 2020.
10. Appointed 25 October 2019.
11. Appointed 25 October 2019. Resigned 31 March 2020.
12. Retired implies resigned, retired or dismissed.

Notes to the Separate and Consolidated Financial Statements

46. Directors' and prescribed officers' emoluments

Prescribed officers 2021					
		Emoluments	Other Benefits[1]	Compensation for loss of office (Leave pay)	Total
Mr J Binedell	2	415	122	-	537
Mr D Dada	3	1,631	23	-	1,654
Ms L Mabena	4	70	1	-	71
Mr B Mgoza	5	2,313	9	-	2,322
Mr Motjale	6	2,222	23	-	2,245
Mr JT Nanyane	7	1,255	201	-	1,456
Mr CA Phillips	8	868	12	56	936
Ms K Rapoo	9	1,375	-	-	1,375
Mr N Ruthnam	10	1,207	231	-	1,438
Ms Sontange	11	1,292	177	-	1,469
Ms A Spies	12	982	311	29	1,322
		13,630	**1,110**	**85**	**14,825**

1. Other benefits include mainly telephone and acting allowance.
2. Appointed as Acting Chief Audit Executive on 28 October 2020.
3. Company Secretary from 1 August 2017.
4. Appointed as Acting GE: Human Resources on 1 March 2021.
5. Appointed as GM: Real Estate.
6. Appointed as GE: Supply Chain Management. Resigned 13 May 2021.
7. Appointed as Acting GE: Sales on 1 June 2018.
8. Chief Audit Executive. Retire 30 September 2020.
9. Appointed as GM: Risk Management.
10. Appointed as Acting GE: Strategy on 7 July 2018.
11. Appointed as Acting GE: Supply Chain Management on 5 December 2019.
12. Appointed as Acting GE: Human Resources on 18 September 2019 - 28 February 2021. Retired 31 March 2021.

Retired implies resigned, retired or dismissed.

Notes to the Separate and Consolidated Financial Statements

46. Directors' and prescribed officers' emoluments

2020					
		Emoluments	Other benefits[1]	Compensation for loss of office (Leave pay)	Total
Mr D Dada	2	1,335	23	-	1,358
Ms P Matsena	3	-	-	-	-
Mr B Mgoza	4	2,291	9	-	2,300
Mr Motjale	5	2,202	23	-	2,225
Ms S Myburg	6	1,379	82	-	1,461
Mr JT Nanyane	7	1,268	192	-	1,460
Mr CA Phillips	8	1,747	24	-	1,771
Ms K Rapoo	9	1,362	-	-	1,362
Mr N Ruthnam	10	1,225	215	-	1,440
Ms Sontange	11	426	30	-	456
Ms A Spies	12	575	157	-	732
Mr PR Tsotetsi	13	-	-	-	-
		13,810	755	-	14,565

1. Other benefits include mainly telephone and various travel related reimbursements.
2. Company Secretary from 1 August 2017.
3. Appointed as Acting CIO on 3 September 2018. Workflow appointment. Retired 31 May 2019.
4. Appointed as GM: Real Estate.
5. Appointed as GE: Supply Chain Management. Resigned 13 May 2019.
6. Appointed as Acting GE: Human Resources on 22 January 2019. Retired on 30 April 2020.
7. Appointed as Acting GE: Sales on 1 June 2018.
8. Chief Audit Executive. Retire 30 September 2020.
9. Appointed as GM: Risk Management.
10. Appointed as Acting GE: Strategy on 7 July 2018.
11. Appointed as Acting GE: Supply Chain Management on 5 December 2019.
12. Appointed as Acting GE: Human Resources on 18 September 2019 - 28 February 2021. Retired 31 March 2021.
13. Appointed as Acting CFO on 21 February 2020. Retired 31 May 2020.

Retired implies resigned, retired or dismissed

Notes to the Separate and Consolidated Financial Statements

47. Comparative figures and prior period errors

Overview

The comparative figures for the separate and consolidated annual financial statements have been restated due to various errors and reclassifications. The Group presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. An additional statement of financial position as at 31 March 2019 is therefore presented in these consolidated financial statements due to the retrospective correction of errors.

Narrative disclosures have been provided only for individually or collectively material misstatements (i.e. those that could reasonably be expected to influence economic decisions users make on the basis of the financial statements). The quantitative threshold or qualitative considerations of the error, or a combination of both, were considered when determining whether the error is material or not. A quantitative threshold of R100 million, in terms of the materiality framework of SAPO, was applied.

The subsidiaries did not contain material changes from that which was previously disclosed, thus only the company's restatements and errors are presented below.

The effects of the restatements are as follows:

Company - 2020					
Statement of Financial Position		**2020 (Previously stated)**	**Reclassified Items**	**Restated Items**	**2020 (Restated)**
		R '000	**R '000**	**R '000**	**R '000**
Assets					
Non-current assets					
Property, plant and equipment		2,093,694	-	(42,216)	2,051,478
Investment property		195,493	-	24,715	220,208
Intangible assets		72,813	-	(54,806)	18,007
Intragroup loans and receivables		2,784	(332)	2,444	4,896
Right-of-use assets	47.1	643,430	-	268,106	911,536
Other financial assets	47.2	4,347,105	-	(3,541,421)	805,684
Current assets					
Trade and other receivables	47.3	1,283,729	48,469	(99,822)	1,232,376
Cash and cash equivalents	47.4	1,784,550	-	(100,325)	1,684,225

Notes to the Separate and Consolidated Financial Statements

47. Comparative figures and prior period errors

Company - 2020					
Statement of Financial Position		**2020 (Previously stated)**	**Reclassified Items**	**Restated Items**	**2020 (Restated)**
		R '000	**R '000**	**R '000**	**R '000**
Equity and liabilities					
Equity					
Reserves	47.5	(1,569,466)	65,035	-	(1,504,431)
Retained income (before loss for the year)	47.5	4,303,283	(65,035)	129,258	4,367,506
Non-current liabilities					
Loans from group companies		(332)	332	-	-
Financial liabilities at amortised cost	47.6	(275,014)	-	122,917	(152,097)
Provisions		(299,393)	-	49,221	(250,172)
Lease liabilities	47.1	(667,433)	-	235,521	(431,912)
Current liabilities					
Financial liabilities at amortised cost	47.6	(71,481)	84,114	(173,971)	(161,338)
Provisions		(294,864)	-	(34,026)	(328,890)
Trade and other payables	47.5	(3,861,666)	(48,469)	142,707	(3,767,428)
Government grants	47.6	(234,239)	(84,114)	65,045	(253,308)
Lease liabilities	47.1	-	-	(565,206)	(565,206)
Effect on statement of financial position		**-**	**-**	**(3,571,859)**	**-**

Notes to the Separate and Consolidated Financial Statements

47. Comparative figures and prior period errors

Company - 2020					
Statement of Financial Position		**2020 (Previously stated)**	**Reclassified Items**	**Restated Items**	**2020 (Restated)**
		R '000	**R '000**	**R '000**	**R '000**
Statement of Profit or Loss and Other Comprehensive Income					
Continuing operations					
Other operating income					
Foreign exchange difference		(2,280)	-	(342)	(2,622)
Other income	47.6	(39,074)	-	(28,578)	(67,652)
Other rental income		(71,382)	-	2,706	(68,676)
Other operating gains (losses)					
Investment property		-	-	1,399	1,399
Other operating expenses					
General (Excl. Audit fees, Consulting, Transport costs)	47.7	1,174,577	(5,160)	(131,823)	1,037,594
Employee cost		3,870,496	5,160	32,706	3,908,362
Total depreciation, amortisation and impairments					
Depreciation of property plant and equipment	47.1	274,985	-	170,437	445,422
Finance cost					
Unwinding of site restoration provision		-	-	31,249	31,249
Trade and other receivables discounting		81,938	-	(81,938)	-
Finance leases	47.1	-	-	71,847	71,847
Fair value adjustments					
Post Retirement Medical Aid asset and Providend Fund asset	47.6	82,951	-	28,175	111,126
Discontinued operations					
Loss from discontinued operations	47.2			3,476,021	3,476,021
Net effect on loss for the year				**3,571,859**	**-**

Notes to the Separate and Consolidated Financial Statements

47. Comparative figures and prior period errors

Company - 2019					
Statement of Financial Position		**2019 (Previously stated)**	**Reclassified Items**	**Restated Items**	**2019 (Restated)**
		R '000	**R '000**	**R '000**	**R '000**
Assets					
Non-current assets					
Investment property		**195,493**	-	26,114	**221,607**
Intangible assets		**155,648**	-	(54,806)	**100,842**
Intragroup loans and receivables		**4,624**	-	2,443	**7,067**
Current assets					
Trade and other receivables	47.3	**1,589,147**	(82,510)	(40,100)	**1,466,537**
Equity and liabilities Equity					
Retained income (before loss for the year)		**3,431,362**	(46,766)	(5,889)	**3,378,707**
Net corrections in income statement		**-**	-	70,823	**70,823**
Non-current liabilities					
Financial liabilities at amortised cost	47.7	**(275,014)**	-	(38,420)	**(313,434)**
Current liabilities					
Financial liabilities at amortised cost	47.7	**(126,468)**	(84,114)	99,656	**(110,926)**
Trade and other payables	47.5	**(1,533,404)**	129,276	(6,416)	**(1,410,544)**
Government grants	47.7	**(383,985)**	84,114	(53,405)	**(353,276)**
Net effect on statement of financial position		**-**	**-**	**-**	**-**

Statement of Changes in Equity

Discontinuities in equity cumulating from previous years were identified that necessitated correction by way of direct adjustments to retained income presented in the statement of changes in equity (Group 2020: R 256 million; 2021: R227 million. Company: R 206 million; 2021: R228 million.

47.1. Right-of-use assets

Implementation of IFRS 16 - Leases

In the prior financial year, the implementation of the IFRS 16 was incorrectly applied and disclosed.

The accounting policies applied in these annual financial statements are the same as those applied in the company's financial statements as at and for the year ended 31 March 2019, except as described below.

IFRS 16 - Background

With effect from 1 January 2019, IFRS 16 replaced IAS 17 as well as the related interpretations. The core principle of this standard is that the lessee and lessor should recognise all rights and obligations arising from leasing arrangements on

Notes to the Separate and Consolidated Financial Statements

47. Comparative figures and prior period errors

balance sheet.

The new lease standard has fundamentally changed the accounting treatment for operating leases. Historically, operating leases did not result in any assets or liabilities being recorded, with only the lease payments reflected in the income statement. The new standard eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Going forward there is a single, on-balance sheet accounting model that is similar to current on-balance sheet finance lease accounting, where a right of use (ROU) asset together with a lease liability for the future payments is recognised for all leases with a term of more than 12 months, unless the underlying asset is of low value.

For lessees, the lease becomes an on-balance sheet liability that attracts interest, together with an asset for the right-of-use. In other words, lessees will appear to become more asset-rich but also more heavily indebted. There are also changes when they pay constant annual rentals. Following implementation, depreciation is raised on the right-of-use assets while the lease liability will gradually decrease by the actual lease payments made.

Adoption and transition

The company adopted IFRS 16 on 1 April 2019 by applying the modified retrospective approach with an adjustment to the company's opening 1 April 2019 reserves and, as permitted by IFRS 16, did not restate its comparative financial results. Accordingly, the company's previously reported financial results up to 31 March 2019 are presented in accordance with the requirements of IAS 17 and for 2020, and future reporting periods, are presented in terms of IFRS 16. On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 April 2019. This incremental borrowing rate was calculated for the company utilising the external funding rate. The company also recognised right-of-use assets measured on a lease by lease basis at the amount equal to the lease liability.

Prior year error

In the 2020 financial year, the IFRS 16 was not appropriately applied to the financial statements as is described above. Insufficient disclosures were made in the annual financial statements for the users to be able to evaluate the impact of the application of the new IFRS 16 to the Group. The 2020 figures were therefore recalculated and restated from inception.

Practical expedients applied:

In applying IFRS 16 for the first time, the company used the following practical expedients permitted by IFRS 16:

- the exclusion of initial direct costs for the measurement of the right of use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The company has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the company relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

47.2. Other financial assets

Postbank investment

The investment in Postbank was originally shown at an amount of R3 541 420 996, which comprised the deemed net asset value of Postbank at the time. The financial asset were derecognised, since the South African Post Office do not have control over the South African Postbank, and there is a material uncertainty with regards to the economic benefits from Postbank. The deemed net asset value of Postbank was also consequently corrected and derecognised as a discontinued operation in the statement of profit and loss

Notes to the Separate and Consolidated Financial Statements

47. Comparative figures and prior period errors

and other comprehensive income. Refer to note 38.

47.3. Trade and other receivables

2020

The net restatement of R51,347 in Trade and other receivables (Trade receivables) in 2020 includes a reallocation of R241,490 from Trade receivables (SASSA debtors) to Trade payables (Postbank intercompany account). Please refer to note 47.5. Trade and other payables (below) for further details.

Further adjustments to Trade and other receivables (other receivables) include an aggregate correction of R142,351 primarily affecting inter-company balanaces, with the remainder of the adjustments attributable to various individually immaterial items.

2019

The net restatement of Trade and other receivables in 2019 consists of amounts totalling R82,510 that were incorrectly recognised as liabilities (Other payables) and are now presented in Trade and other receivables (Other receivables).

47.4. Cash and cash equivalents

The Cash in Transit account was overstated in the 2020 financial year with R100,325. This was due to an advance that was paid to G4S on 1 April 2020, subsequent to year end which did not qualify to be classified as Cash in Transit as at 31 March 2020.

47.5. Trade and other payables

2020

SAPO did not account for transactions relating to the National Payment System (NPS) under Postbank trade receivables. This resulted in the reallocation of R241,490 in Trade receivables (SASSA debtors) to Trade payables (Postbank intercompany account).

The remainder of the net restatement in Trade and other payables is attributable to individually immaterial amounts, including newly recognised accruals of R34,747 and R6,417, and correction of accruals associated with IFRS 16 incorrectly accounted for in 2020 (R55,035).

2019

In 2019, SAPO had a trade creditor balance of R46,195 owing to the Company's previous landlord in Centurion. However, due to the uncertain nature of this amount it should have been recognised as a provision and not trade payables. In 2020 there was a court order that determined that no amount is owing to the landlord. Therefore in 2020 the provision should have been reversed to the profit and loss.

In addition, the net restatement of Trade and other payables consists of amounts totalling R82,510 that were incorrectly recognised as liabilities (Other payables) and are now presented in Trade and other receivables (Other receivables).

47.6. Government grants

SASSA loan and government grant

The SASSA loan was not accounted for correctly from inception in 2019. The adjustment consequently resulted in the loan being amortised thogether with a fair value adjustment being recognised. Due to the loan being interest free, SAPO enjoys a benefit and consequently a government grant has been recognised which has begun to unwind until the loan is settled.

47.7 Other operating expenses

General (Excl. Audit fees, Consulting, Transport costs)

The net restatement of R131,821 in General expenses represents the cumulative effect of various individually immaterial corrections against Site restoration expenses (R46,199), Capital expenditure settlement (R38,203), Telephone and fax expenses (R67,448), and Software expenses (R20,831), among other items.

Notes to the Separate and Consolidated Financial Statements

48. Financial instruments and risk management

Group - 2021	Note(s)	Fair value through other comprehen-sive income - equity instruments	Fair value through profit or loss - Designated	Amortised cost	Leases	Total	Fair value
Operating lease asset	10	-	-	-	6,384	6,384	6,384
Trade and other	16	-	-	1,696,653	-	1,696,653	1,696,653
Cash and cash equivalents	17	-	-	1,739,233	-	1,739,233	1,739,233
Other financial assets	9	133,639	1,246,380	-	-	1,380,019	1,380,019
		133,639	**1,246,380**	**3,435,886**	**6,384**	**4,822,289**	**4,822,289**

Group - 2020	Note(s)	Fair value through other comprehen-sive income - equity instruments	Fair value through profit or loss - Designated	Amortised cost	Leases	Total	Fair value
Operating lease asset	10	-	-	-	9,792	9,792	9,791
Trade and other receivables	16	-	-	1,238,846	-	1,238,846	1,238,846
Cash and cash equivalents	17	-	-	1,711,102	-	1,711,102	1,711,102
Other financial assets	9	129,103	1,016,347	-	-	1,145,450	1,145,450
		129,103	**1,016,347**	**2,949,948**	**9,792**	**4,105,190**	**4,105,189**

Notes to the Separate and Consolidated Financial Statements

48. Financial instruments and risk management

Company - 2021	Note(s)	Fair value through other comprehen-sive income - equity instruments	Fair value through profit or loss - Designated	Amortised cost	Leases	Total	Fair value
Operating lease asset	10	-	-	-	6,592	6,592	6,592
Trade and other receivables	16	-	-	1,688,531	-	1,688,531	1,688,531
Cash and cash equivalents	17	-	-	1,713,968	-	1,713,968	1,713,968
Other financial assets	9	133,639	1,246,380	-	-	1,380,019	1,380,019
		133,639	**1,246,380**	**3,402,499**	**6,592**	**4,789,110**	**4,789,110**

Company - 2020	Note(s)	Fair value through other comprehen-sive income - equity instruments	Fair value through profit or loss - Designated	Amortised cost	Leases	Total	Fair value
Operating lease asset	10	-	-	-	9,595	9,595	9,595
Trade and other receivables	16	-	-	1,232,376	-	1,232,376	1,232,376
Cash and cash equivalents	17	-	-	1,686,205	-	1,686,205	1,686,205
Other financial assets	9	129,103	1,014,053	-	-	1,143,156	1,143,156
		129,103	**1,014,053**	**2,918,581**	**9,595**	**4,071,332**	**4,071,332**

Notes to the Separate and Consolidated Financial Statements

48. Financial instruments and risk management

Categories of financial liabilities

Group - 2021

	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	23	6,761,000	-	6,761,000	6,761,000
Borrowings	22	202,750	-	202,750	202,750
Financial liabilities at amortised cost	20	152,097	-	152,097	152,097
Lease liabilities	13	-	721,458	721,458	721,458
Government grants	27	152,234	-	152,234	152,234
		7,268,081	**721,458**	**7,989,539**	**7,989,539**

Group - 2020

	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	23	3,807,069	-	3,807,069	3,807,069
Borrowings	22	196,127	-	196,127	196,127
Financial liabilities at amortised cost	20	313,435	-	313,435	313,435
Lease liabilities	13	-	1,037,301	1,037,301	1,037,301
Government grants	27	253,308	-	253,308	253,308
		4,569,939	**1,037,301**	**5,607,240**	**5,607,240**

Company - 2021

	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	23	6,707,170	-	6,707,170	6,707,170
Borrowings	22	202,750	-	202,750	202,750
Financial liabilities at amortised cost	20	152,097	-	152,097	152,097
Lease liabilities	13	-	714,915	714,915	714,915
Government grants	27	152,234	-	152,234	152,234
		7,214,251	**714,915**	**7,929,166**	**7,929,166**

Company - 2020

	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	23	3,751,660	-	3,751,660	3,751,660
Borrowings	22	196,127	-	196,127	196,127
Financial liabilities at amortised cost	20	313,435	-	313,435	313,435
Lease liabilities		-	1,029,191	1,029,191	1,029,191
Government grants	27	253,308	-	253,308	253,308
		4,514,530	**1,029,191**	**5,543,721**	**5,543,721**

Notes to the Separate and Consolidated Financial Statements

48. Financial instruments and 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 shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 8, 20 21 & 24, equity disclosed in note 18 and cash and cash equivalents disclosed in note 17 in the statement of financial position.

The group monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

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 intended to be financed; and
- Funds received from the shareholder are specifically for certain identified projects.

Capital risk is managed in terms of certain guidelines agreed between the group and shareholder. There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The gearing ratio at 31 March 2021 and 31 March 2020 respectively were as follows:

		Group		Company	
		2021	2020	2021	2020
		R '000	R '000	R '000	R '000
Financial liabilities at amortised cost	20	152,097	313,435	152,097	313,435
Loans from group companies	8	126	4,655	663	207
Borrowings	22	202,750	196,127	202,750	196,127
Lease liabilities	13	721,458	1,037,301	714,915	1,029,191
Trade and other payables	23	7,039,557	3,823,664	6,985,403	3,769,407
Total borrowings		**8,115,988**	**5,375,182**	**8,055,828**	**5,308,367**
Cash and cash equivalents	17	(1,739,233)	(1,711,102)	(1,715,747)	(1,686,205)
Net borrowings		**6,376,755**	**3,664,080**	**6,340,081**	**3,622,162**
Equity		(2,573,158)	192,764	(2,576,119)	187,609
Gearing ratio		(248)%	90 %	(246)%	90 %

Notes to the Separate and Consolidated Financial Statements

48. Financial instruments and risk management

Financial risk management

Overview

The group is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

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 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; and

Finance risk management objectives

The Group's ALM function monitors and manages market risks relating to the treasury operations of the Group through internal risk reports which analyze 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.

The Group seeks to minimize 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 overnight callable balances;
- The South African Post Office (SOC) Limited's credit exposure in the investment portfolio is diversified across a range of acceptable counterparties and the maximum investment with a particular counterparty will be limited to 25% of the total counterparty should be limited to 50% + 1 of the total investment and not exceeding R25 million investments. Where the amount to be invested per counterparty 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; and
- Instruments 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; and
- 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.

Notes to the Separate and Consolidated Financial Statements

48. Financial instruments and risk management

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 utilized in the credit evaluation process of the counterparties.

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 the 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 the 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.

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 year, there was no evidence of impairment observed in amortised cost financial assets and fair value through other comprehensive income (OCI) assets held by the group.

The group credit risk is considered to be limited because all its investment counter parties 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 investment counter parties is considered to be sound, well managed and commensurate with the risk appetite of the board.

Trade receivables

Trade receivables is exposed to credit risk due to the effect of macro-economic factors on the Group's customers.

The main identified macro-economic risks are those economic risks associated with the impact of COVID-19. The customers identified with a higher credit risk, are those customers with payments outstanding more than 120 days and the utilization of unused credit facilities.

Forward looking information considered was not determined to have a significant impact on the impairment allowance required to be recognised.

No significant changes in the inputs, assumptions and estimation techniques were noted.

The maximum exposure to credit risk is presented in the table below:

Group		2021			2020		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Other financial assets	9	1,380,019	-	1,380,019	1,145,450	-	1,145,450
Operating lease asset	10	6,384	-	6,384	9,792	-	9,792
Trade and other receivables	16	1,792,046	(73,130)	1,718,916	1,792,046	(74,457)	1,717,589
Cash and cash equivalents	17	1,739,233	-	1,739,233	1,711,102	-	1,711,102
		4,917,682	**(73,130)**	**4,844,552**	**4,658,390**	**(74,457)**	**4,583,933**

Notes to the Separate and Consolidated Financial Statements

48. Financial instruments and risk management

Company		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
		2021			2020		
Loans to group	8	710,933	(704,524)	6,409	709,627	(704,524)	5,103
companies							
Other finacial assets	9	1,380,019	-	1,380,019	1,143,156	-	1,143,156
Operating lease asset	10	6,592	-	6,592	9,595	-	9,595
Trade and other receivables	16	1,778,153	(69,921)	1,708,232	1,303,490	(71,114)	1,232,376
Cash and cash equivalents	17	1,715,747	-	1,715,747	1,686,205	-	1,686,205
		5,591,444	**(774,445)**	**4,816,999**	**4,852,073**	**(775,638)**	**4,076,435**

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.

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; and
- 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's 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.

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.

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Notes to the Separate and Consolidated Financial Statements

48. Financial instruments and risk management

Group - 2021					
		Within one year	Two to 5 years	After 5 years	Total
Liabilities					
Trade and other payables	23	6,761,022	-	-	6,761,022
Borrowings	22	-	202,750	-	202,750
Financial liabilities at amortised cost	20	152,097	-	-	152,097
Lease liabilities	13	376,969	319,882	24,607	721,458
Government grants	27	152,234	-	-	152,234
		7,442,322	**522,632**	**24,607**	**7,989,561**

Group - 2020					
		Within one year	Two to 5 years	After 5 years	Total
Liabilities					
Trade payables	23	3,807,069	-	-	3,807,069
Borrowings	22	-	196,127	-	196,127
Financial liabilities at amortised cost	20	161,338	152,097	-	313,435
Lease liabilities	13	447,255	548,445	41,600	1,037,300
Government grants	27	253,308	-	-	253,308
		4,668,970	**896,669**	**41,600**	**5,607,239**

Notes to the Separate and Consolidated Financial Statements

48. Financial instruments and risk management

Company - 2021					
		Within one year	Two to 5 years	After 5 years	Total
Liabilities					
Trade payables	23	6,707,170	-	-	6,707,170
Borrowings	22	-	202,750	-	202,750
Financial liabilities at amortised cost	20	152,097	-	-	152,097
Lease liabilities	13	370,426	319,882	24,607	714,915
Government grants	27	152,234	-	-	152,234
		7,381,927	**522,632**	**24,607**	**7,929,166**

Company - 2020					
		Within one year	Two to 5 years	After 5 years	Total
Liabilities					
Trade payables	23	3,751,660	-	-	3,751,660
Borrowings	22	-	196,127	-	196,127
Financial liabilities at amortised cost	20	161,338	152,097	-	313,435
Lease liabilities	13	439,146	548,445	41,600	1,029,191
Government grants	27	253,308	-	-	253,308

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 has a policy that 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 0,5 million currency loss.
- Forward cover is taken where the exposure in respect of a specific foreign currency commitment is more than R 1 million rand 1% adverse move in the exchange rate results in the group experiencing a loss of more than R 0,5 million. Actions taken in managing foreign exchange risk at the group ALCO meetings are reported to the Group Risk Committee of the board on a quarterly basis.

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.

Notes to the Separate and Consolidated Financial Statements

48. Financial instruments and risk management

		Group		Company	
		2021	2020	2021	2020
		R '000	R '000	R '000	R '000
Foreign currency exposure at the end of the reporting period					
Financial Assets					
Euro		31	1	31	1
Special Drawing Rights		7,530	12,794	7,530	12,794
United States Dollar		828	90	828	90
Botswana		1	13	1	13
Financial Liabilities					
Euro		923	1,121	923	1,121
New Zealand Dollar		191	20	191	20
Special Drawing Rights		7,805	11,031	7,805	11,031
Swiss Franc		3	3	3	3
United States Dollar		12	962	12	962
Current assets					
Trade and other receivables	16	158,050	271,015	158,050	271,015
Current liabilities					
Trade and other payables	23	156,441	256,915	156,441	256,915

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 R0.1250 million foreign currency gain for the Group (2019: R0,35 million currency gain)

Interest rate risk

Appropriate interest rate risk dashboard indicators are compiled to provide the ALCO members with the necessary interest rate risk information on a monthly basis, including a measure of compliance with approved limits and benchmarks.

Cash flow interest rate risk

The table below reflect net interest income sensitivty for a given 1% up and downward shift in interest rates at year-end.

Notes to the Separate and Consolidated Financial Statements

48. Financial instruments and risk management

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Increase (Decrease)				
1% increase in interest rates:	9,658	8,247	9,635	8,234
1% decrease in interest rates:	(9,658)	(8,247)	(9,635)	(8,234)

49. Fair value information (property, plant and equipment, and investment property)

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the Group can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Reconciliation of assets and liabilities measured at level 3

	Note(s)	Opening balance	Gains (losses) recognised in other comprehensive income	Closing balance
Group - 2021				
Assets				
Heritage assets				
Works of art	5	7,697	-	7,697
Stamps		36,348	-	36,348
Documents		259	-	259
Philatelic stationery		510	-	510
Other assets		1,433	-	1,433
Total Heritage assets		**46,247**	**-**	**46,247**
Available for sale financial assets				
Unlisted shares	9	129,103	37,589	166,692
Total		**175,350**	**37,589**	**212,939**

Notes to the Separate and Consolidated Financial Statements

49. Fair value information (property, plant and equipment, and investment property)

	Note(s)	Opening balance	Gains (losses) recognised in other comprehensive income	Closing balance
Group - 2020				
Assets				
Heritage assets				
Works of art	5	7,697	-	7,697
Stamps		36,348	-	36,348
Documents		259	-	259
Philatelic stationery		510	-	510
Other assets		1,433	-	1,433
Total heritage assets		**46,247**	**-**	**46,247**
Available for sale financial assets				
Unlisted shares	9	122,645	-	122,645
Total		**168,892**	**-**	**122,645**

	Note(s)	Opening balance	Gains (losses) recognised in other comprehensive income	Closing balance
Company - 2021				
Assets				
Heritage assets	5			
Works of art		7,697	-	7,697
Stamps		36,348	-	36,348
Documents		259	-	259
Philatelic stationery		510	-	510
Other assets		1,433	-	1,433
Total heritage assets		**46,247**	**-**	**46,247**
Available for sale financial assets				
Unlisted shares	9	129,103	37,589	166,692
Total		**175,350**	**37,589**	**212,939**

Notes to the Separate and Consolidated Financial Statements

49. Fair value information (property, plant and equipment, and investment property)

	Note(s)	Opening balance	Gains (losses) recognised in other comprehensive income	Closing balance
Company - 2020				
Assets				
Heritage assets				
Works of art	5	7,697	-	7,697
Stamps		36,348	-	36,348
Documents		259	-	259
Philatelic stationery		510	-	510
Other assets		1,433	-	1,433
Total Heritage assets		**46,247**	**-**	**46,247**
Available for sale financial assets				
Unlisted shares	9	122,645	-	122,645
Total		**168,892**	**-**	**168,892**

Gains and losses recognised in profit or loss are included in other income on the statement of comprehensive income, except for gains and losses on financial assets and liabilities which have been included in fair value adjustments.

Gains and losses recognised in other comprehensive income are included in gains and losses on property revaluation.

This column refers to the amount of total gains or losses included in profit or loss that is attributable to the change in unrealised gains or losses for assets and liabilities held at the end of the reporting period.

Notes to the Separate and Consolidated Financial Statements

50. Going concern

The SA Post Office is a State Owned Company with the mandate to achieve the priorities of Government in providing universal access and affordable postal and financial services to all areas, including rural areas and small towns within the Republic of South Africa. The Post Office infrastructure and Post Office branch network exists to render these Universal Postal Services that all citizens are entitled to.

In determining the appropriate basis of preparation of the financial statement, management are required to consider whether the group will continue in operational in the foreseeable future.

The conditions noted below resulted in a material uncertainty that might cast significant doubt on SAPO's ability to continue as a going concern:

- The Group recognised recurring operating losses of R(2,333 million) and R (5,340 million) for the years ended 31 March 2021 and 31 March 2020 respectively, as disclosed in the statement of comprehensive income. The transfer of Postbank in 2019/2020 saw an estimated value of R400 million in profits being lost to Postbank.
- As at the reporting date, the Group was in net liability financial position, with total liabilities exceeding total assets by R(2,530,855) and current liabilities exceeding current assets by R(4,868,502). This is reflected adversely in key financial ratios including the Group's gearing ratio, which stood at (248%) on the reporting date. Instances of late payments to commercial and statutory creditors have occurred, and the ability of the Group to comply with loan agreements is constrained.
- Pending legal or regulatory proceedings against the Company exist that, if successful, may result in claims the Company is unlikely to have the means to meet.
- The impact of the national lock-down during 2020/21 further placed the group's revenue under pressure with overheads remaining largely unchanged.
- The COVID-19 crisis has triggered a social and economic crisis and the South African Post Office is no exception.
- The current financial position requires a Restructuring Plan / Turnaround Plan / Business case which repurposes the company as an e-commerce and logistics company which is anchored by technology and innovation. This will be undertaken in the forthcoming months.
- The SAPO Board and management assessment is that SAPO has the ability to continue as a going concern; therefore, the financial statements have been prepared using the going concern basis of accounting. Furthermore, there is no intention from the Department and the Board to liquidate the entity or to cease operations.

Notes to the Separate and Consolidated Financial Statements

51. Irregular expenditure

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Opening balance under investigation	1,448,153	1,232,276	1,380,867	1,182,388
Adjustment - prior year	(16,623)	-	-	-
Add: Irregular expenditure - current year	383,477	215,877	382,797	198,479
Add: Irregular expenditure - prior year	12,455	-	12,455	-
Irregular expenditure awaiting condonation	**1,827,462**	**1,448,153**	**1,776,119**	**1,380,867**
Analysis of awaiting condonation per age classification				
Current period	371,374	215,877	370,693	198,479
Prior years	1,460,608	1,232,276	1,393,322	1,182,388
Total irregular expenditure awaiting condonation	**1,831,982**	**1,448,153**	**1,764,015**	**1,380,867**

Irregular expenditure

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 addressing 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.

SAPO has an established Financial Misconduct Committee (FMC) to review and to ensure that all "Financial Misconducts" within the SAPO Group of companies are managed in accordance with the requirements of the PFMA (Public Finance Management Act) and related regulations. The process to identify any other irregular expenditure is continuing in order to have these investigated and condoned where relevant.

The process to identify any other irregular expenditure is continuing in order to have these investigated and condoned where relevant.

The amount of R1,827 million for the 2021 financial year relates to "irregular expenditure awaiting condonation" for SAPO Group, which includes an amount of R195,3 million that relates to the investigations of a particular contract which was one of the items in the SIU and Public Protectors report.

The amount of R1,776 million includes an amount of R382,6 million for the 2021 financial year (2020: R182 million) relates to "irregular expenditure awaiting condonation" for SAPO.

The amount of R5,9 million includes an amount of R681k for the 2021 financial year (2020: R775k) relates to "irregular expenditure awaiting condonation" for Docex

The amount of R45,6 million relates to expenditure incurred in the prior years and the "irregular expenditure awaiting condonation" for CFG.

The amount of R1,844 million includes an amount of R55,9 million relating to expenditure incurred in the prior years and the "irregular expenditure awaiting condonation" for Postbank

Notes to the Separate and Consolidated Financial Statements

52. Fruitless and wasteful expenditure

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Opening balance	394,291	367,647	376,205	349,630
Add: Fruitless & wasteful expenditure - current year	127,740	20,531	127,650	20,480
Add: Fruitless & wasteful expenditure - prior year	15,094	6,113	15,094	6,095
Total Fruitless & wasteful expenditure awaiting write-off	**537,125**	**394,291**	**518,949**	**376,205**
Analysis of waiting condonation per age classification				
Current period	127,740	20,531	127,650	20,480
Prior years	409,385	373,760	391,299	355,725
Total Fruitless & wasteful expenditure awaiting write-off	**537,125**	**394,291**	**518,949**	**376,205**

A breakdown of Fruitless & wasteful expenditure for SAPO includes:

- The amount of R537,1 million for the 2021 financial year relates to "fruitless & wasteful awaiting write-off" for SAPO Group, which includes an amount of R147,6 million that relates to the investigations of a particular contract which was one of the items in the SIU and Public Protectors report.
- An amount of R126,8 million was incurred and relates to interest/fines and legal fees in the amount of R900k due to creditors not being paid as a result of SAPO's financial constraints during the financial year.

53. Material losses due to criminal conduct

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Other incident (Fraud and theft)	117,813	49,859	117,813	49,859

The South African Post Office considers losses of R32 million and above to be material. There has been no single incident in the financial year where the materiality threshold was breached.