SOUTH AFRICAN POST OFFICE SOC LTD

ANNUAL REPORT

2019/20

Post Office
South Africa

Highlights

FINANCIAL HIGHLIGHTS

- **Revenue increase year-on-year of R616 million (12%)**
- **Recapitalisation funding of R2.947bn received on 25 January 2019. The funding was utilised to settle term loans of R1.035 billion and pay long outstanding creditors**
- **Docex subsidiary posted a net profit of R1.6m**
- **Revenue from motor vehicle licences improved by R23,9m**

OPERATIONAL HIGHLIGHTS

- **The delivery standard performance of 89,25% improved by 12.85% from the prior year**
- **Delivery of approximately 535 million items during the year**
- **Courier delivery matrix model implemented to increase competitiveness**
- **Security features at some branches improved**
- **Reduction of 45% in crime incidents from 4876 to 2682**
- **Target for Universal Service Obligation branches was achieved with 556 USO branches located**
- **The target for Carbon emission (Scope 1 and 2) was achieved with the annual performance of 2% better than target**
- **Reduction in energy cost of 17%**
- **54 tons of waste paper recycled**

STRATEGY

- The Digital Strategy being implemented in alignment to Vision 2030
- Customer Satisfaction Survey undertaken to improve customer service

INFORMATION TECHNOLOGY

- Network upgrade project achieved 81% of target, with 1083 post offices on new fibre network from 1329 identified sites
- Postbank ATM and point of sale transactions at 99% of industry standard

HUMAN RESOURCES

- Employee satisfaction survey launched internally from 21 November 2019 accessible via e-mail, intranet, smart cell phones, and tablets
- Headcount reduced by 1 871 to 16 488 employees
- The Voluntary Severance Package process was implemented to address the high cost base of the organisation with 730 applications approved
- Critical executive vacancies in the recruitment phase
- Appointment of the six Regional General Managers for Operations

GOVERNMENT

- Post Office identified as a provider of an essential service by the Labour Court, confirming the role the organisation plays in South Africa
- 8,1 million SASSA beneficiaries paid monthly
- 2,6 million schoolbooks delivered to 3,873 schools in Limpopo and Northern Cape
- 637 094 new street addresses rolled out
- 1 151 194 qualifying beneficiaries registered for the DTT subsidised set-top box and 549 426 STB's issued

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General Information

Registered name	**South African Post Office SOC (Limited)**
Registration number	**1991/005477/30**
Registered office address	**497 Sophie de Bruyn 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)**

Photographs:
South African Post Office

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Philatelic Services

Designed in-house by:
Rachel-Mari Ackermann and Thea Clemons
South African Post Office: Philatelic Services

List of Abbreviations and Acronyms

ALCO	Asset and Liability Committee
ALM	Asset and Liability Management
BOT	Build Operate Transfer
CENTRIQ	Centriq Insurance Innovation (Pty) Ltd
CFG	The Courier and Freight Group (Pty) Ltd
Companies Act	The Companies Act, No. 71 of 2008 (as amended)
DAFF	Department of Agriculture, Forestry and Fisheries
DOCEX	The Document Exchange (Pty) Ltd
DTPS	Department of Telecommunications and Postal Services
DTT	Digital Terrestrial Television
EBDN	Electronic Bulk Mail Delivery Note
ERP	Enterprise Risk Plan
FRA	Forward Rate Agreed
ICASA	The Independent Communications Authority of South Africa
IFRS	International Financial Reporting Standards
ICT	Information and communications technology
KING IV	The King Report on Corporate Governance IV
MCP	Mail Collection Point
MD	Managing Director
MTEF	Medium-term Expenditure Framework
NCD	Negotiable Certificates of Deposits
NPS	National Payment System
PAA	Public Audit Act, No 25 of 2004
PFMA	Public Finance Management Act, No. 1 of 1999 (as amended)
PRMA	Post-Retirement Medical Aid
RDMS	Retail Document Management System
RFQ	Request for Quotation
SADC	Southern African Development Community
The Post Office	The South African Post Office (SOC) Limited
The Post Office Act	The South African Post Office Act No. 22 of 2011 (as amended)
SASSA	South African Social Security Agency
SOC	State-owned company
SFTP	Secure File Transfer Protocol
STP	Strategic Turnaround Plan
TVBC	Transkei, Venda, Bophuthatswana and Ciskei
UPU	Universal Postal Union
USO	Universal Service Obligation

The South African Post Office (SOC) Ltd is referred to in the text of the document as the Post Office.

Foreword by the Chairperson

"A vital role of the South African Post Office is its ability to deliver government services to the people of South Africa. This applies to citizens at many socio-economic levels."

While the South African Post Office continued to experience another difficult year, SA Post Office remained committed to deliver on the mandate that is entrusted to it since the first Post Office opened in 1792. The 2019/20 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

During the financial year under review the South African economy experienced a challenging economic environment. The downgrades by the Credit houses created a backdrop for an unfavourable trading environment, which resultantly had a negative impact on the South African Post Office.

Within South Africa, economic growth in the year under review was not satisfactory. Finance Minister Tito Mboweni stated that state-owned companies weigh heavily on the country's finances, with their combined debt of R1.6 trillion ($113.4 billion) in October 2019.

The stagnating economy had an effect on the South African Post Office's Revenue and ultimately the Net Loss position, and this was aggravated by factors such as a continued move away from physical mail, the main source of revenue for the SA Post Office.

Instability of the organisation

The South African Post Office experienced instability within the leadership of the organisation. The position of CEO became vacant in July of 2019, followed by the suspension of the Acting CEO in December 2019 following a whistle-blower report. The key position of CFO has not been filled on a permanent basis and the COO position also does not have a permanent appointment. Key critical vacancies have not been filled.

The South African Post Office has a reputation for its inability to implement strategic initiatives. Capital injections have been utilised without marked improvements in financial losses year on year.

In addition to the above, a majority new Board was appointed by the Minister in the third quarter of the Financial Year, resulting in insufficient time to address key strategic issues.

Unsustainable Cost Base

The South African Post Office are faced with an unsustainable cost base, built up over time without proper consideration for a workable operating model. This as a result of years of growing losses that deplete cash reserves, which in turn have operational consequences resulting in the inability to implement initiatives.

Corporatisation of Postbank

The corporatisation of Postbank was completed and a Postbank Board appointed. The relevant assets were transferred to Postbank, which now operates as a subsidiary of the Post Office. The Postbank's financials are not consolidated into that of the South African Post Office and the resulting reduction of assets without compensation has a negative impact, not just on the financial statements, but also on the opinion expressed by the Auditor General.

The South African Post Office has also not yet been compensated for the loss in assets due to the corporatisation, which results in liquidity concerns. Due to the fact that Postbank transactions in prior years have been intertwined with that of the South African Post Office, the financial transactions related to the split of the two organisations proved to be problematic and the majority of the Auditor General's findings result from the separation of financial transactions related to Postbank.

KEY SUCCESSES DURING THE FINANCIAL YEAR

South African Elections

The period under review was marked by the announcement of the election results, in which the Post Office played a significant role through its address roll-out and verification project. This was necessitated by the Constitutional Court Ruling in the Tlokwe matter, that all available addresses should be included in the National Common Voter's Roll.

The Post Office worked with the Independent Electoral Commission (IEC) and other stakeholders in providing formal addresses to many households in rural areas and informal settlements, securing them the fundamental democratic right to vote. The Post Office therefore played its part in making sure that the election results reflect the will of the people of South Africa.

Social Grants

The payments of social grants is a project of national importance. During the previous financial period, the Post Office Group achieved a feat of near miraculous proportions when it took over the payment of social grants. The collaboration between the Post Office Group and the South African Social Security Agency (SASSA) keep funds within government and the fiscus, thus reducing state owned companies' dependence on government financing.

The number of beneficiaries who choose the Post Office system to receive their grants continues to grow, with approximately 8,1 million beneficiaries now receiving their grants each month through the SASSA card issued by Postbank. This is an increase of roughly 338,000 beneficiaries compared to the previous year.

During the period under review the stabilisation of the payment of grants has been given priority and a marked improvement in successful transactions and the dignity services have been registered.

Motor Vehicle Licences

The facility that allows the payment of motor vehicle licences at our branches continues to be a success story, and we are pleased with the extension of the facility to all provinces except the Western Cape.

Government support

During the reporting period, the SA Post Office delivered approximately 2,6 million textbooks to 3 873 schools on behalf of Provincial Departments of Education. The aim is to expand the service to more provinces.

Mail delivery standard

During the year under review, progress was made with the timeous delivery of mail. During the subsequent lockdown period, however, mail delivery was not possible and the organisation is currently working tirelessly to reduce the resultant backlog.

Governance

During the year under review, the South African Post Office continued to improve mechanisms of governance. Key to this was the monitoring and oversight by the Board, IT Governance, Risk Management, Internal Audit, and Social and Ethics.

LOOKING BEYOND THIS YEAR

Board Direction

In order to address the relevance of the South African Post Office in a competitive market the Board has set out to develop a turn-around plan. This situation is being addressed urgently through the development and implementation of projects that will see the Post Office retain relevance and grow revenue in a changing economy.

A vital role of the South African Post Office is its ability to deliver government services to the people of South Africa. This applies to citizens at many socio-economic levels. The Board continues to focus on delivering and expanding on the mandate to ensure an all-inclusive economy that reaches all citizens of South Africa.

Future Products

E-commerce

Central to the turn-around plan is the inauguration of initiatives in accordance with the Post Office's broader e-Commerce strategy and the Ecom@Africa commitments in line with its Universal Postal Union designation as Southern Africa's e-Commerce regional hub. The first phase of the initiatives will target the acceleration of the market reach of local small and medium enterprises.

The Post Office already plays a very important fulfilment role in e-commerce. The intention is to expand this role to one where the Post Office offers small and medium South African businesses unrivalled access to e-commerce and to customers, both by offering a platform that connects business and customer and by fulfilling orders. The presence of around 1500 branches countrywide gives the entity the footprint to do so.

Government Business

Looking to the future, the SASSA project has given us access to technology and systems, such as biometric verification and access to the Home Affairs database. These allow the Post Office to develop more offerings in cooperation with Government departments; this will increase the relevance of the organisation to the people and Government of South Africa.

We remain grateful to government for funding the public service mandate of the Post Office. This funding enables the Post Office to deliver on its public service mandate to the people of South Africa, especially in outlying and remote areas even where it is not necessarily economically feasible to do so.

In Closing

I am grateful to Minister Ms Stella Ndabeni-Abrahams and Deputy Minister Ms Pinky Kekana, the Department of Communications and Digital Technologies led by the Acting Director-General Ms Nonkqubela Jordan-Dyani, the executives, staff and all other stakeholders of the Post Office for their dedication in service to the people of South Africa.

I am indebted to my fellow board members, who rigorously engaged with matters and issues thereby providing the best oversight and leadership to executives.

The Post Office currently faces significant challenges mainly in the financial sphere. These, however, can be overcome and we look forward to ensuring that the entity is a sustainable organisation that is a trusted, multi-channel, technology centred provider of postal, e-Commerce, financial and government services to the people of South Africa.

Tia van der Sandt
Chairperson

Chief Executive Officer's Overview

"Delivery service performance improved to 89,3% for 2019/20 compared to the 76,4% achieved in 2018/19. Despite an extremely challenging year, we experienced a stable labour environment which made it possible to execute the strategy to a large extent."

Overview of universal service mandate

It is worth noting upfront that the South African Post Office (SAPO) is a State Owned Company with the mandate to achieve the priorities of government in providing universal access and affordable postal services to all areas, including rural areas and small towns within the Republic of South Africa. The Post Office infrastructure exists to render these Universal Postal Services that all citizens are entitled to. SAPO's strategic mandate also includes the payment of social grants to the deserving and vulnerable grant recipients on behalf of government. The South African Postbank SOC Limited (Postbank) also depends on SAPO's branch network to deliver financial services to its customers. SAPO's infrastructure is also critical for the delivery of government services as well as service delivery agency for private companies.

Operational outlook

The 2019/2020 financial year was fairly successful for Operations. The implementation of the Operational Blueprint strategy moved to the second phase with the expansion of the key operations mandate to include the delivery of products and services through the movement of money, messages and small goods. This was supported with the optimisation of processes and systems to enhance the infrastructure, increase operational efficiency and ensure enabling of the operating environment.

With the adaption of services to cater for technology driven social interaction, the building of new capabilities has started enabling operations to participate in the 4th industrial revolution. The introduction of the new operating model for Operations supported by the establishment of a cohesive team as well as the alignment of strategic projects and initiatives to key SA Post Office deliverables has supported the drive.

The population of the organisational structure to district and area levels, followed the regional and provincial demarcation to ensure enablement of the strategy at lower levels. This was supported by the alignment of the divisional structures of Logistics, Centre of Excellence and Properties to cater for the decentralised working model. This enabled operations to improve the relationships with customers, employees and other stakeholders.

Delivery service performance improved to 89,3% for 2019/20 compared to the 76,4% achieved in 2018/19. We are optimistic that the performance will continue to rise over the long term, considering the efforts that are being

made to restore confidence in service offerings for our customers and stakeholders. The year saw a stable labour environment which made it possible to execute the strategy to a large extent.

The strategy to re-align the Property and Logistics portfolios took shape during the year. Property rental revenue increased while the utilisation of company-owned buildings is illustrated with the refurbishment of the Mondeor post office to reduce cost. These programs to optimise space utilisation will continue in the next year. In addition the Post Office has developed smart post office designs for the implementation of the Post Office of the Future at Durban Post Office, Mthatha Post Office and Mokopane Post Office as three pilot sites. It is envisaged that significant progress will be made in the new financial year on the work conducted thus far.

A milestone which increased competitiveness for SA Post Office was the development, approval and implementation of the courier delivery matrix model, aimed at categorising EMS, courier and freight services into the premier services, economy and freight and letters zones. The integration of EMS and courier services brought improved delivery performances and better cost management. The acquisition of a logistics system is currently being explored.

Ecommerce was identified as one of the new products and services to diversify revenue in SA Post Office and as part of the readiness program Operations celebrated the implementation of the electronic export component of the Customs Declaration System and an upgraded international postal system.

As part of the digitisation program, the investment in machine parts as a key enabler for processing efficiency was delivered. This remains work in progress and will gain further traction in the new financial year.

With the customer being at the core of our business, the effectiveness and capacity to transact at our interface points and branches is of paramount importance for operations in its drive to fulfil the demands of our stakeholders and customers. The project to migrate and upgrade the IT network progressed well with 1115 sites completed out of the 1329 sites identified. The program is envisaged to be concluded in subsequent year.

Investments for point of sale equipment, ecommerce tools and mobile platforms together with the upgrade of the Post Office branch network physical infrastructure is prioritised for next year.

Operations have established a good foundation to build on and with an adequate footprint, the SA Post Office is well positioned to maintain conventional services and to grow and expand with the requirements of digital transformation.

Payment of social grants

The Post Office continued to pay SASSA social grants to beneficiaries. Post Office branches are access points for communities to access government services, enabled through the national payment system. Operations played a pivotal role through its branch network to serve these communities. Approximately 8,1 million beneficiaries received their grants through the SASSA card issued by Postbank, which reflected an increase of about 338,000 beneficiaries compared to the previous year.

Although service levels were mostly maintained at a high level, we are cognisant of the fact that the performance was not always optimal across all our service areas and as such more concerted efforts were put on further improvements of internal controls in subsequent financial years.

We are grateful for the collective support from SASSA, Postbank, Department of Social Development and our Shareholder (Department of Communications and Digital Technologies) in our delivery of social grants under very challenging circumstances in the year under review.

Delivery of other government services

A total of 1,15 million households have been registered for the subsidised DTT set-top boxes to date as part of digitisation of broadcasting, while over 540,000 set top boxes have been issued.

As part of the program to expand reach to customers, close to 640,000 addresses were rolled out during the year to rural and under-serviced areas. The ICASA postal address rollout target of 500,000 addresses was exceeded by 27% for the financial year. The program is aimed at increasing accessibility of citizens to government and other services, which are enabled by having a postal address. The implementation of a postal address strategy together with the geo-referencing and activation of addresses should gain momentum in the next financial year.

During the reporting period, the SA Post Office delivered approximately 2,6 million textbooks to 3 873 schools on behalf Provincial Departments of Education. Subsequent periods will aim to expand the service to the other provinces.

The SA Post Office remains committed to serve the needs of citizens, business and government, every day and this is not without challenges. In the year under review the Post Office experienced financial challenges as a result of lack of investment in infrastructure and sharp declines in revenue levels which severely impacted the cash-flow position. Revenue continued to exceed expenditure whilst the company operated under challenging economic circumstances. The SA Post Office's till worked a round the clock to still ensure that essential services are accessible to the nation, particularly to disadvantaged

communities and vulnerable citizens. These efforts go a long way in ensuring that these communities can become economically and financially included. The unwavering support from the Shareholder (Ministry and the Department of Communications and Digital Technologies) and the National Treasury have been instrumental in ensuring SAPO's delivery on its universal service obligations to roll-out services to under-serviced areas.

Structural arrangements, financial and audit outlook

SA Post Office through its postal infrastructure continue to be an important strategic asset for universal service delivery, poverty alleviation and access to the country's broader infrastructure ecosystem. In the year under review the company underwent some structural changes wherein the business that belonged to the former Postbank business division has been separated and transferred to the South African Postbank SOC Limited (newly incorporated 100% subsidiary the SA Post Office). The overall separation of the Postbank is expected to be completed in the 2021/2022 financial year when the amendment of the South African Postbank SOC Limited Act has been completed. These amendments are intended to facilitate the removal of the ownership of the Bank Controlling Company from the SA Post Office to align with the Banks Act requirements.

The impact of the Postbank separation is already becoming more visible in the lower revenues for the Post Office as well as the reduction in the total assets. SA Post Office's reported revenue is R4,1 billion for the year ending 31 March 2020, which is a decrease from the R5,3 million reported in the 2019 financial year. The company posted a Loss for the year of R1,8 billion which is an increase of R689 million from the prior year loss of R1,1 billion. It is worth noting that both the reported revenue and loss for period ending March 2020 excluded the Postbank figures in keeping with the above mentioned structural changes and this is the first year that these figures have been excluded. The prior year (2019) included the Postbank's profit of R544 million which if excluded the Post Office loss is at R1,6 billion, a decline of R200m from the prior year.

Reported revenue for 2019 of R5,3 billion included Postbank revenue of R1,8 billion. It is envisaged that when the separation of the Postbank from the SA Post Office is fully completed in line with the above mentioned amendments to the Postbank Act, the overall financial impact on the SA Post Office would be looked into in order to compensate for the loss of the Postbank business. This requires a revised turnaround strategy to reposition the postal company post the Postbank ownership separation and also ensure a reorganised and relevant company in the digital era. The repositioning will go a long way to respond to evolving customer needs and expectations and the structural changes as a result of the Postbank separation are key drivers influencing the SA Post Office's need to review its business model and overall role within the digital economy. In this regard, the company with the assistance of the Shareholder will be addressing the funding requirements in line with the National Treasury's requirement of a solid business case to support the request for financial assistance. In this regard, the Shareholder's appointment of the turnaround experts to assist SAPO with the revised turnaround plan will go a long way in responding to the regressed Audit Opinion and Outcome for the 2019/20FY. SA Post Office is confident that the turnaround intervention and envisaged financial assistance to compensate for the loss of the Postbank business will assist in the financial recovery and future financial sustainability of the SA Post Office. The turnaround intervention will also go a long way to review the company's operating model which will in turn reduce operational costs and increase revenue recovery.

Management will also focus on resolving the significant matters highlighted in the Auditor General Report to improve the control environment and audit outcomes for subsequent financial years.

To our critical stakeholders

With SAPO on the path to financial recovery, my gratitude goes out to our Shareholder, the Board and Executive Team for their ongoing support, efforts and resilience through the tough times. To all SAPO employees, we are truly humbled and appreciative of your relentless hard work and commitment to serving our customers under very challenging circumstances; for without your dedication our attempts would be in vain. As the company pushes forward with the turnaround, my plea to Team SAPO is for your continued dedication and drive to turn the institution around for our customers and stakeholders because in so doing we all benefit.

R. Langa

Reneilwe Langa
Acting Group Chief Executive Officer

Strategic Overview

Post Office
South Africa

Vision

To be the trusted exchange channel of service delivery in South Africa respected for our relevance, reliability, reach and resilience.

Mission

A reliable and relevant government service delivery channel providing access to government services, enabling secure digital and physical transactional services to all.

Values

We have a passion for our customers and excellent customer service;

Contributing positively to our communities and environment;

Treating each other with respect, dignity, honesty and integrity;

Recognising and rewarding individual contributions; and

Embracing diversity and transformation in the way we conduct business.

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 Postal Services, 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. 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.

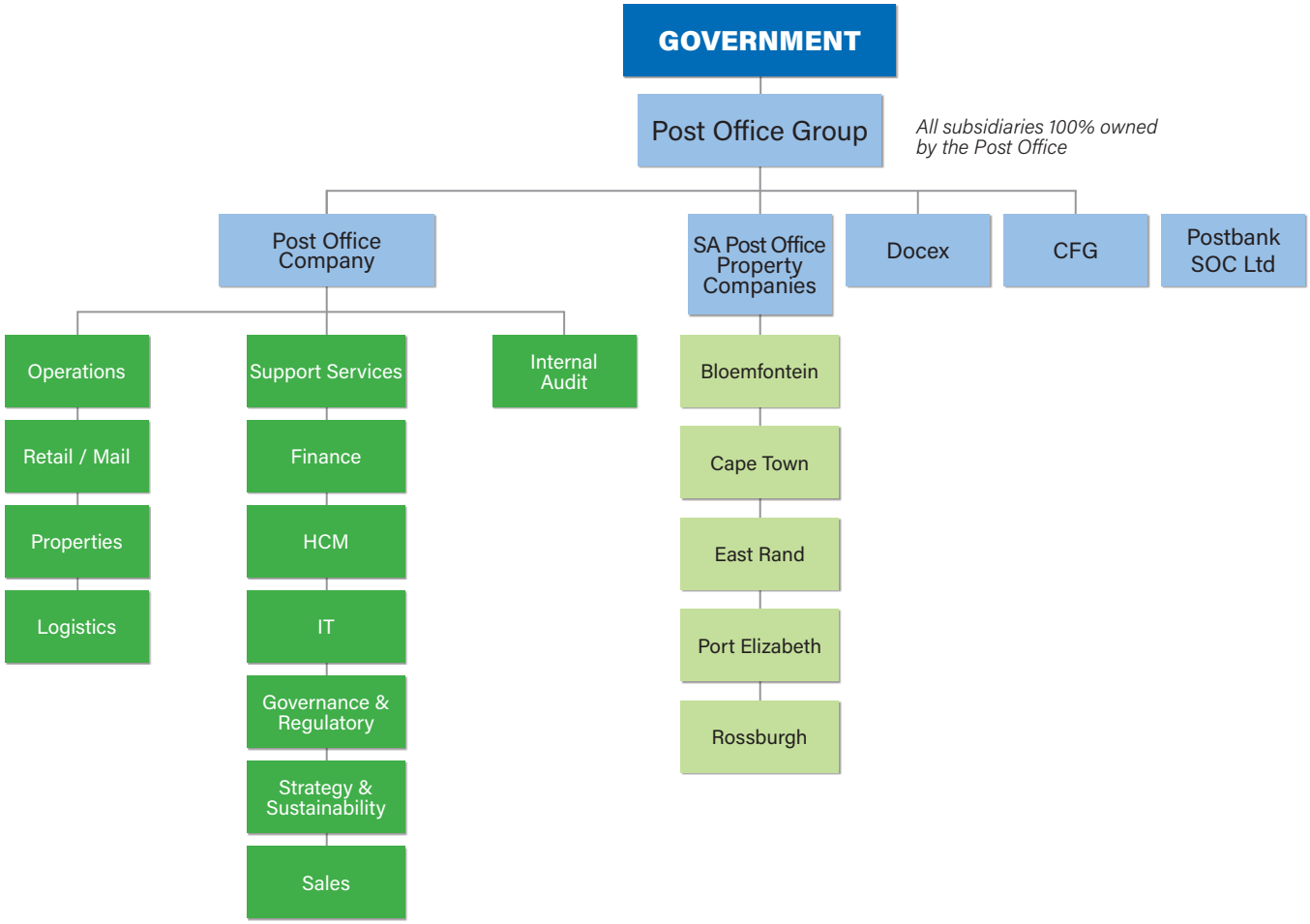
Legislative and Governance Framework

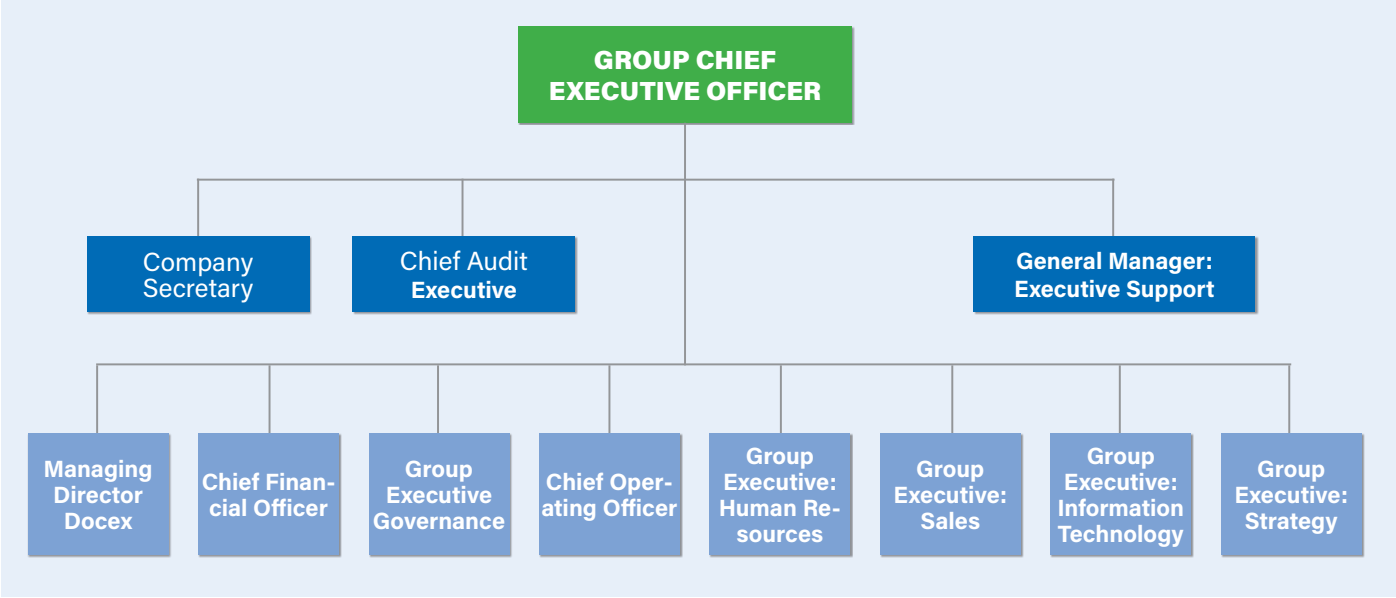
The SA Post Office complies with the protocols and legislation governing SOCs and is guided by various postal, courier and financial regulations laid down by the regulatory bodies such as ICASA, the Financial Intelligence Centre (FIC) and the Financial Services Board (FSB).

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.

Organisational Structure





PART B: PERFORMANCE INFORMATION

Report on performance on predetermined objectives

SERVICE DELIVERY ENVIRONMENT

There is a continued mismatch between monthly revenues generated and corresponding operating expenditure, resulting in a deficit to meet monthly financial obligations, which has now been aggravated by COVID-19. The R2.9bn funding allocation received on 25 January 2019 has been utilised to settle all loans and the payment of critical suppliers, and as at 31 March 2020, the funding has been depleted.

The annual revenue is below budget due to lower than projected revenue performance in Postal Services Revenue -R36m, Courier and Parcel Revenue -R187m, and Sundry Revenue -R274m. Included within Sundry Revenue, is the 2019/20 Revenue Initiatives which did not deliver as expected.

In spite of all the challenges experienced, there has been a slight but notable improvement in respect of our delivery standards. The mail delivery performance as at 31 March 2020 was recorded at 89.25%, an improvement of 2.5% from Q3. The achievement is 9.25% above the annual target of 80%, although below the ICASA regulated standard of 92% by 2.75%. This marks an improvement of 12.85% from the prior year delivery standard of 76.4%.

The Managed Network Services project is critical for the connectivity of all SA Post Office branches and will be a catalyst for the digital transformation of the organisation. Through rigorous negotiations with the supplier we managed to get this project back on track, and thus managed to achieve 81% of the intended target, representing 1 083 out of the 1329 targeted sites. Delays in the completion of the project was as a result of matters such as Landlord Approvals required (118) for the installation of the fibre network, amongst others. The situation has also been aggravated by the national Covid-19 lockdown and the revised completion date for the project is now March 2021.

The total number of beneficiaries paid through SA Post Office/ Postbank are 8.16m beneficiaries as at the end of March 2020. This reflects an increase of 338k beneficiaries or 4.3% for the 2019/20 FY. The number of routes for Cash Pay-Points (CPPs) were at 675 routes and a total of 1 626 pay points were serviced as at the end of March 2020. The average beneficiaries served per month at CPPs for the 2019/20 FY is at 190 225.

A total of 1 151 194 (81.9%) of the 1, 4 million STB kits delivered to SA Post Office to date has been registered as at 31 March 2020. With the planned fast tracking of the registration process via the DCDT's local DTT Volunteer Registration Campaign, it was envisaged that the balance of 252.2k (18%) STB kits, should have been registered by 31 Aug 2020.

The DCDT's revised BDM model has been approved by Cabinet in November 2019. This new BDM model will replace the DCDT's current revised BDM Delivery Model approved by Cabinet during October 2018. The revised BDM model will entail the completion of the following 2 Phases from a distribution perspective:

- **Phase 1:** The completion of the indigent registration phase and distribution of the 1 405 073 subsidized STB kits purchased by USAASA by SA Post Office via the original BDM Delivery Model. SA Post Office to continue with the contracted distribution in this regard.
- **Phase 2:** The completion of the rollout to the remaining projected 3.2 million needy households via the DTT Voucher model, which will be administered by SA Post Office.

Citizens require a valid physical postal address to meet FICA and other address requirements. The SA Post Office is responsible for the rollout of new postal address to meet the target of 500,000 for the 2019/20 financial year. The annual target of 500 000 addresses has been achieved and substantially exceeded by 137 094 additional addresses, an achievement of 127.4% of target. The total actual addresses rolled-out is 68% in rural and 32% in urban communities. All addresses rolled out for 2019/20FY have been for street delivery.

ORGANISATIONAL ENVIRONMENT

The SA Post Office Group headcount reduced from 18 359 at 31 March 2019, to 16 488 as at 31 March 2020, a reduction of 1 871 employees. A Voluntary Separation Package was implemented to address the high cost base of the organisation and as part of its turnaround strategy. A total 730 applications were approved and accepted at a cost of R129m with savings of R182m per annum.

During the 2019/20 FY, the term of the non-executive directors of the Board expired and new Directors were appointed with a new Chairperson. The positions of CEO and COO also became vacant during the financial year. The position of CFO also remained vacant. A number of other Executive positions have remained vacant during the

2019/20 FY but are currently moving into the recruitment phase.

The position of CEO is now finalised and a head-hunting process is underway to replace the CFO who resigned after a short tenure.

KEY POLICY DEVELOPMENTS AND LEGISLATIVE AMENDMENTS

The section 16 application to register a bank was submitted on 26th June 2017 to the SARB. 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 the 10th April 2019, the Postbank team (Executive and Board members) met with the South African Reserve Bank to map the way forward regarding the banking license application. On the 29th March 2019, the Honourable Minister of Department of Telecommunication and Postal Services gazetted the transfer of Postbank division from SA Post Office as at 1 April 2019. The transfer of the Postbank division from the SA Post Office is currently still underway.

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 2019/20 FY considered 6 key areas focusing the SA Post Office on setting the foundation towards attaining Vision 2030, ensuring compliance with and support of the 4R principles as identified by the UPU.

The six strategic objectives identified for the Strategic Plan were:

1. Efficient Systems and Processes;
2. Asset and Infrastructure Optimisation;
3. Diversify Funding and Revenue;
4. Future Products and Services;
5. Customers and Communities First; and
6. Culture of Excellence.

A total of 17 KPIs were set and measured for the 2019/20 FY, aligned towards attaining the 6 strategic objectives. Performance over 2019/20 FY has been poor, with only 6 KPIs achieving 100% of target resulting in an overall performance of 35%. A further 7 KPIs achieved 80%-99% of target.

Efficient Systems and Processes

Strategic Themes	Planned Target	Number Achieved 100%	100% Achieve-ment	Number Achieved 80%-99%
1. Systems and Processes	3	1	33%	2
2. Asset and Infrastructure Optimisation	3	2	66%	0
3. Diversify Funding and Revenue	3	0	0%	3
4. Future Products and Services	3	1	33%	0
5. Customer and Communities First	3	1	33%	1
6. Culture of Excellence	2	1	50%	0
Total	**17**	**6**	**35%**	**7**

This strategic objective focused on improving the effectiveness of the SA Post Office's business processes and operational environment through the required enabling IT systems. The strategic objective comprised of 3 KPIs, which considered the Mail Delivery standard, ATM and POS uptime as well as the IT Network upgrade. The Mail delivery standard has steadily improved over 2019/20 FY and the annual target of 80% was achieved at 89.25%, just below the ICASA regulated standard of 92%. ATM and POS uptime as well as the IT Network upgrade did not achieve the annual target, however both at a level of 80%-99% of target with the IT Network upgrade attaining 81% of target whilst the ATM and POS uptime attained 99% of target.

Asset and Infrastructure Optimisation

The objective considered utilising and maximising the SA Post Office's assets and owned infrastructure to create new and enhance existing revenue streams. The strategic objective comprised 3 KPIs, improving the property infrastructure through maintenance and investment, maintaining the 529 USO points of presence in rural and under serviced communities, and increasing the number of postal addresses. The target investment in property maintenance was not achieved due to funding challenges. However, both the USO points of presence and increasing the number of postal addresses was achieved.

Diversify Funding and Revenue

The goal of the strategic objective is to be a productive asset rather than a liability to the State, and thus ensuring financial sustainability of the SA Post Office. The strategic objective comprised of 3 KPIs, revenue generation, cost management and cost optimisation. These targets were not achieved at 100% of target, however all 3 KPIs achieved at a level of 80%-99% of target due to slower revenues and increasing costs.

Future Products and Services

The strategic objective focuses on the development of an integrated service delivery platform, accessible to all. Critical to the development of future products and services supported by an integrated service delivery platform is the development of a digital strategy in support of Vision 2030. The strategic objective considered 3 KPIs, development and approval of a digital strategy, launch of the SA Post Office E-Pay Platform and the launch of the Omni-Channel platform. Whilst the digital strategy towards attaining Vision 2030 was developed and approved, the launching of the E-Pay – and Omni-Channel Platforms were delayed due to procurement and related matters. Notwithstanding the non-attainment of the annual targets for both platforms, substantial work towards their achievement has been undertaken.

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, being the effective resolution of customer complaints, conducting a customer satisfaction survey and implementing a CRM platform. Whilst there has been a substantial improvement in the resolution of customer complaints from 2018/19 FY, the target was not achieved at 84%. The customer satisfaction survey was undertaken during February and March 2020 making use of inexpensive methods, and thus setting a foundation for future engagements with customers and towards meeting the annual target. The implementation of the CRM platform was not achieved as it is dependent on the implementation of the eCommerce Platform.

Culture of Excellence

The strategic objective considered 2 KPIs, conduct an Employee Satisfaction Survey and obtain an Unqualified Audit Opinion by the Auditor General. In order to understand key matters that are effective or need to be changed for an improved organisational climate, the need for an annual Employee Satisfaction Survey (ESS) was identified so as to address the most important matters that impact on Employee satisfaction and enable the SA Post Office to evaluate impact/success of actions/initiatives already taken/implemented. The ESS was conducted during the latter part of 2019. In order to measure the Culture of Excellence, an Unqualified Audit Opinion by the Auditor General was set as a performance measure and KPI. The Audit Opinion issued by the Auditor General issued was Qualified.

The detailed performance and assessment of the key performance indicators are indicated in the tables that follow.

Objective	Goal	KPI Ref	Key Performance Indicator	Annual Performance				
				Target	Actual	Variance	Achieved/ Not achieved	Actual Performance and Reason for Target Variance/ Deviation
1. Systems and Processes	To achieve operational efficiency and effectiveness	1.1	Improve the Mail Delivery standard to 80% by 31 March 2020	80%	89.25%	9.25%	Achieved	The target was exceeded by 9.25% due to improved end to end and delivery processes. Relevant tools of trade are in the procurement process to ensure that we improve performance to the ICASA standard at 92%.
		1.2	Maintain the up-time for ATM and POS Transactions per the industry standard of 98%	98%	97.69%	-0.31%	Not Achieved	The POS and ATM success rate performed well above the standard of 98% from January to March 2020, however annual performance missed the target by 0.31%.
		1.3	Complete IT Network upgrade across all points of presence	100%	81%	-19%	Not Achieved	The scope of the project has changed from 1536 sites to be upgraded to 1329 sites due to sites having been closed. A total of 1 083 sites were fully commissioned with new equipment and upgraded connectivity which resulted in an 81% achievement of annual target. There have been ongoing challenges with the supplier on delivering in terms of the agreed project plan. Discussions were held with the supplier who provided assurances and commitment to deliver on the Network Upgrade project by 31 March 2020, however this was not achieved. Delays in completion of the project include matters such as Landlord Approvals required (118) for the installation of the fibre network. The situation has also been aggravated by the national Covid-19 lockdown. The IT network upgrade is a catalyst for a number of other critical digital projects and ensuring network connectivity to improve customer service and turnaround times. ▪ Continuous monitoring of supplier performance ▪ Obtain outstanding Landlord Approvals ▪ List of closures or intended closures to be communicated with IT timeously Revised completion of the network upgrade by end of March 2021.

Objective	Goal	KPI Ref	Key Performance Indicator	Annual Performance				
				Target	Actual	Variance	Achieved/ Not achieved	Actual Performance and Reason for Target Variance/ Deviation
2. Asset and Infrastructure Optimisation	Maximise value from a healthy asset and infrastructure portfolio to drive profitability	2.1	Improve property Infrastructure maintenance and investment	R500m	R4.89m	-R495.1m	Not Achieved	The actual spend on property infrastructure maintenance and investment is at R4.89m against an annual target of R500m as at 31 March 2020. This represents a 0.9% achievement against the annual target. The protracted SCM processes and staff vacancy rate are the major contributors to the delays.
		2.2	Maintain USO postal points of presence in rural and under-serviced communities	529	529	0	Achieved	The target of maintaining 529 USO postal points of presence was achieved. Notwithstanding that the number of USO branches are to be maintained in line with the target, action plans to increase profitability of branches will continue.
2. Asset and Infrastructure Optimisation	Maximise value from a healthy asset and infrastructure portfolio to drive profitability	2.3	Increase the number postal addresses	500 000	637 094	137 094	Achieved	The annual target of 500 000 addresses has been achieved and substantially exceeded by 137 094 additional addresses, an achievement of 127.4% of target. The total actual addresses rolled-out is 68% in rural and 32% in urban communities. All addresses rolled out have been recorded for street delivery. Focus will be placed from the physical rollout of addresses to the activation of addresses during 2020/21 FY.
3. Diversify Funding and Revenue	To be a productive asset rather than a liability to the State	3.1	Achieve revenue target as per Strategic Plan	R6.31bn	R5.81bn	-R497m	Not Achieved	The annual revenue is below target due to lower than projected revenue performance in Postal Services Revenue -R36m, Courier and Parcel Revenue -R187m, and Sundry Revenue -R274m. Included within Sundry Revenue, is the 2019/20 Revenue Initiatives which have not delivered as expected. The revenue performance achieved is at 92% of the annual target. There are a number of reasons for the revenue deviation which include: ▪ Digital substitution ▪ Lack of technology Investment ▪ Tools of trade ▪ Operational performance ▪ Product offering

Objective	Goal	KPI Ref	Key Performance Indicator	Annual Performance				
				Target	Actual	Variance	Achieved/ Not achieved	Actual Performance and Reason for Target Variance/ Deviation
3. Diversify Funding and Revenue	To be a productive asset rather than a liability to the State	3.2	Achieve expenditure target as per Strategic Plan	R7.02bn	R7.36bn	-R340m	Not Achieved	The annual expenditure target of R7.02bn was not achieved with actual expenditure at R7.36bn exceeding budget by (4.8%). Staff expenditure of R3 891m is below budget by R131m (3.4%), staff cost as a percentage of expenditure remains high at 55% of total expenses. Security costs of R831m, have exceeded budget by R479m for the 2019/20FY and has increased by R421m year on year due to the high cost of the SASSA grant cash pay points. Interest and bank charges is higher than budget by R141m. Staff expense containment, cost of SASSA cash pay points to be resolved to further contain expenditure.
		3.3	Cost Optimisation of FY2019/20 by 4%	4%	0%	-4%	Not Achieved	The annual cost optimisation target of 4% of expenses has not been achieved due to higher than budgeted expenses for all Business Units, with the exception of Commercial, Technology, Executive, Postbank, Docex, SCM and Corporate Affairs which performed below budget. The over expenditure is also largely contributed by the cash pay points for the SASSA Social grant pay-outs. Areas of overspending are currently being reviewed and action plans will be implemented in the 2020/21FY, particularly with regard to security services and transfer pricing. Continued focus on cost management.
4. Future Products and Services	Integrated service platform	4.1	Develop and Approve a Digital Strategy by 31 March 2020	Approved Digital Strategy	Digital Strategy Approved	-	Achieved	The Digital Strategy has been developed and approved and sets the framework towards achieving the Strategy of SA Post Office as included in the 2020/21 FY Corporate Plan.
		4.2	Launch SAPO E-PAY Platform	Launch SAPO E-PAY Platform	Not launced	-100%	Not Achieved	The procurement processes for the E-Pay Platform has been completed, however the matter is currently in litigation and the project placed on hold until the matter is concluded.

Objective	Goal	KPI Ref	Key Performance Indicator	Annual Performance				
				Target	Actual	Variance	Achieved/ Not achieved	Actual Performance and Reason for Target Variance/ Deviation
		4.3	Launch of Omni-channel platform	Launch mo-bile applica-tion	Not launched	-100%	Not Achieved	An older SA Post Office mobile application is currently available for download purposes, however static in ar-chitecture. Phase 1 of the revised mobile application was completed in November 2019, with Phases 2 and 3 to com-mence following procurement of the Enterprise Application Platform (EAP) during 2020/21 FY.
5. Customer and Commu-ni-ties First	Centralised measurable customer inter-action: focus on failure	5.1	Customer complaints must be resolved within 14 working days from date of receipt of complaint	100%	84%	-16%	Not Achieved	The annual target was partially achieved at 84% of target. Reasons for the deviation from target include: ▪ Dependencies on scanning compliance affecting call centre tracking. ▪ Customers awaiting compensation are referring their complaints to ICASA which is becoming a major con-tributor to the non-performance. ▪ Delayed feedback from other Business Units particularly on non-delivery of items, staff attitude, poor service, misplaced parcels, theft, and international mail delays are featured as major problems. ▪ The new call centre management system which was to be implemented during Q4 but has been delayed due to the liquidation of the supplier. The call centre system was also to have assisted in addressing the key operational challenges at the call centre.
		5.2	Undertake a Cus-tomer Satisfaction survey to deter-mine a baseline	Complete Customer Satisfac-tion Survey	Customer Satis-faction Survey complete	-	Achieved	A Customer Satisfaction Survey (CSS) was conducted during February and March 2020. A link to the survey was placed on the SA Post Office website, notices were placed in branches and sms's were sent to clients who received parcel delivery notifications from December 2019 to March 2020. A total of 4138 responses were received with the satisfac-tion level at 58%.
		5.3	Implement a Customer Relation-ship Management (CRM) Platform by FY2019/20	Implement Platform	Platform not imple-mented	-100%	Not Achieved	The implementation of the CRM platform is dependent on the finalisation of the e-Commerce platform together with the Omni-Channel (EAP), which is currently in the procure-ment stage.

Objective	Goal	KPI Ref	Key Performance Indicator	Annual Performance				
				Target	Actual	Variance	Achieved/ Not achieved	Actual Performance and Reason for Target Variance/ Deviation
6. Culture of Excellence	To have a liberated, engaged team of brand ambassadors providing excellent service	6.1	Undertake an Employee Satisfaction survey to determine a baseline	Complete Employee Satisfaction Survey	Employee Satisfaction Survey Completed	-	Achieved	The annual target was achieved. The survey was launched internally from 21 November 2019 and comprised of a link which could be accessed by employees via email, intranet, smart cell phones and tablets to complete the questionnaire. 42% satisfaction level achieved.
		6.2	Achieve an unqualified Audit Opinion	Unqualified Audit Opinion for 2018/19FY	Qualified Audit Opinion for 2018/19FY	-100%	Not Achieved	The Audit for 2018/19 FY was completed and AGSA issued a qualified audit opinion. The Auditor-General (AG) Management Letter Action Plan (MLAP) was implemented and EXCO monitors progress on implementation of corrective actions. Internal Audit provides assurance on the resolution of AG findings.

Not Achieved	Less than 100%	Achieved	Achieved 100%

Performance Information by Function

OPERATIONAL REPORT

Operations

The 2019/2020 financial year was fairly successful for Operations. The implementation of the Operational Blueprint strategy migrated to the second phase with the population of the cascaded organizational structure to district and area levels and also aligning the divisional structures of Logistics, Centre of Excellence and Properties.

Efficiency in Logistics was optimised through a unified trade facilitation platform where transport, Courier and Freight, system and warehouse were combined into one division. In addition the Logistics and Office of Exchange (International services portfolio) were integrated to enhance operational effectiveness and efficiencies.

Within the context of the broader SA Post Office strategic plan, Operations tailored its functional plan to meet the demands and outcomes required by the company strategy.

The key performance areas, initiatives and projects were aligned to support sales and revenue growth targets, to increase product adoption, to improve service performances across Operations, to optimise expenditure, enhance the internal control environment and improve employee satisfaction. Good progress was made in achieving key deliverables, but the organization experienced financial and operational difficulties which had a direct effect on operations during the year.

With the assessment of the key corporate performance indicators it is noted that the delivery performance improved from 76,4% in 2018/19 to 89,3% for 2019/20. The performance also exceeded the 87,1% achieved in 2017/18.

As a result of sustained efforts carry-overs were reduced to manageable levels.

The Post Office delivers approximately 535 million items per year, which equates to roughly 2,14 million items per operational day.

SASSA

SA Post Office continued to pay SASSA social grants to beneficiaries through the national payment system. Operations played a pivotal role through its branch network to serve approximately 8,1 million beneficiaries, which reflected an increase of roughly 338,000 beneficiaries compared to the previous year. Servicing of cash point points put strain on SA Post Office and the financial model remains under pressure due to low beneficiary numbers and revenue compared to the expenses. On average 190,225 beneficiaries were serviced through this medium.

Service levels were mostly maintained at a high level while continuous improvement to systems and processes was implemented. Performance is not yet at the desired level, therefore focus was placed on improving the internal control environment, financial reconciliation, and cash management. In addition security enhancements such as the partial introduction of cash protection devises, anti-intruder alarm systems, and cash defenders were implemented to curb security challenges.

DIVERSIFY FUNDING AND REVENUE

Financial Consolidation for Operations

The overall revenue for Operations during the year under review was recorded at approximately R4,06 billion, against a budget of R3,96 billion at the end of March 2020. Revenue for Operations is about 15% higher than the previous years' revenue. The revenue product lines for postal services and courier and parcels show a decline compared to budget, while revenue for financial services and property increased, with SASSA revenue being a large injection.

Operating expenditure at R4,65 billion is flat in relation to the budget of R6,64 billion. The main expense accounts for Operations remain staff, property and transport cost, which constitute approximately 91% of the total expense account. Compared to the previous year the actual expenses are higher by a marginal R5,5 million.

Key revenue achievements

The motor licensing revenue is traditionally a strong performer and recorded revenue of R332,1 million against a budget of R321,9 million. The revenue is also higher by R23,9 million compared to last year's actual for the same period.

The DTT actual revenue at R9,8 million is substantially lower than the budget of R232,8 million and also well below the achievement of 2018/19. Interventions to increase the uptake in registration and issuing of STB's have not been satisfactory. Minimal set-top boxes were issues, which is the result of the current delay experienced with the redeployment of localized installers.

Revenue for CN22 small packets at international services

under-performed for the year compared to budget; however, revenue exceeded the previous years' income by R5,8 million or 6%. Although the small packet income increased year-on-year, improvements are required on scanning and delivery performance in order to meet customer expectations.

SA Post Office Property revenue exceeded budget by approximately R60 million or 83% as a result of an over achievement on rental income.

ASSET AND INFRASTRUCTURE OPTIMIZATION

Property Infrastructure program

The program on the property infrastructure maintenance and investment did not yield the planned investment results. The actual spending of approximately R4,89 million against a target of R500 million is well below par, representing only a 0.98% achievement. However, it needs to be noted that the capital project budget for the refurbishment program was depleted by end December 2019. Properties had contractors ready by October 2019, but work could not be executed.

However, SA Post Office has successfully appointed the panel of consultants to help with the maintenance management of properties and has completed the refurbishment of some post offices as part of the initiative to reduce rentals by moving back into buildings owned by the Post Office.

Points of Presence – Competitive Advantage

The Retail outlet footprint remains one of the Post Office's key enablers to fulfil its government mandate and to provide a strategic competitive advantage to secure additional revenue streams to the benefit of South African citizens, such as the payment of Social Grants. The current footprint comprises of 2,120 points of presence, including 694 Retail Postal Agencies.

During the financial year 204 sites were assessed with 37 recommended for closure or amalgamation. The balance was recommended for streamlining of the operations and optimization of the value chain. This process forms part of an integrated Distribution Network Optimisation programme, which was implemented in line with a board approved policy and demarcation framework.

However, the program has been suspended since October 2019 for re-assessment and alignment of strategic goals. It is envisaged that the program will gain traction again in the new financial year. The measurement and assessment of the points of presence will continue to include a re-scoped focus on USO branches in rural and under-serviced communities.

Address rollout

The ICASA postal address rollout program of 500,000 addresses was exceeded by 137,000 addresses or 27% for the financial year. The program is aimed at increasing accessibility of citizens to government and other service, which are enabled through having a postal address. The implementation of a postal address strategy together with the geo-referencing and activation of addresses are planned to gain momentum in the next financial year.

Post Office of the future

SA Post Office has developed smart post office designs for the implementation of the Post Office of the Future at Durban Post Office, Mthatha Post Office and Mokopane Post Office as three pilot sites. The program has not progressed sufficiently due to cash flow challenges as the main impediment. It is envisaged that significant traction will be gained in the new financial year.

Process Optimisation – Operational Efficiency

Operational efficiency and effectiveness are at the core of the programmes and initiatives that are underway within operations. End-to-end process automation is being optimized to ensure alignment, while mapping of business processes has been implemented considering the integrated value proposition for Operations. Alignment and implementation of standard operating procedures and service level agreements have to a large extend be completed with renewed focus on SLA's across BU level.

LOGISTICS OPTIMISATION

Logistics remain one of the most important enablers in the entire operational value chain and outcomes such as the rationalization of the line haul and increased capability in terms of transportation equipment and assets have added significant value.

For Logistics to remain strategically aligned, the setting up of a Logistics system through a partnership model progressed well. The process will continue with high priority in the new year to conclude the proof of concept stage. It is envisaged that management capability such as vehicle tracking, aggregated vehicle movement, and real-time transaction statistics will enhance the logistics environment tremendously.

A milestone which increased competitiveness for SA Post Office was the development, approval and implementation of the courier delivery matrix model, aimed at categorising EMS, courier and freight services into premier services, economy and freight and letters zones. With the integration of EMS and courier services, outcomes such as improved delivery

performances and better cost management have shown positive results.

As part of the Logistics strategy to increase efficiency and to optimise revenue, SA Post Office logistics introduced public warehousing services for the DTT and Department of Education service offerings. These services were successfully implemented for the Department of Education and also became the logistics leg for the provision of DTT.

Textbook delivery

The delivery of textbooks for the Department of Education, for both Limpopo and the Northern Cape was concluded with great success for the 2019/20 cycle. Collectively the delivery of textbooks reached 3,873 schools and approximately 2,6 million books were delivered. The revenue generate from this project for the two provinces was approximately R12,8 million, with a net effect of R8,6 million. Revenue was lower than projected, primarily due to lower volumes, therefore to remain sustainable it is foreseen that SA Post Office should revisit the rate-per-kilogram charge.

Ecommerce

Ecommerce was identified as one of the new products and services to diversify revenue in SA Post Office and as part of the readiness program Operations celebrated the implementation of the export component of Customs Declaration System and upgraded international postal system. This has strengthened the technology backbone.

Equipment and enablement

Network upgrade

The network upgrade is of huge significance for operations as the entire frontline operations and payment of social grants depend on a reliable and stable network environment. The project gained substantial momentum from August 2020 and to date the network at 1115 sites which include post offices, mail centres and regional campus sites were migrated or upgraded. This represents an 87% completion out of the 1329 total sites to be migrated.

The project resulted in a significant improvement on network availability with 99% uptime measured in terms of the SLA monthly. The project is envisaged to be completed by end of October 2020 as part of the revised program. Challenges experienced included a redefined scope, contractual problems and non-payment of the supplier.

Pinpads and replacement of branch point of sale equipment (POS)

Limited progress was made on pinpads and the Point of Sale (POS) system. The tender process for the acquiring of the POS was not successful and the procurement process has to be restarted, dependent on securing the necessary funding. Service availability is affected negatively by failing hardware and must be fast tracked.

DTT (Broadband Digital Migration Project)

The MOU to assist the Government with the rendering of the subsidised Set-Top Box service expired on 31 March 2018 and has been extended for another three years up to 31 March 2021. The DTT distribution process has continued; however, progress has been slow.

By 31 March 2020, a total of 1 151 194 qualifying households had been registered nationally since inception of the DTT program. 126 512 registrations were done during the current year against the target of 424 800 registrations, which shows lower rates than the previous two years.

From inception of the project until 31 March 2020, a total of 549 426 Set Top Boxes (STBs) had been issued. Only 78 STB sets were issued during the financial year compared to the target of 806 864. The performance is substantially lower than the previous year.

The under-achievement in both the STB registration and issuing is primarily linked to delays with the DTT volunteer registration campaign and lack of deployment of local installers. Interventions with stakeholders are underway to mitigate the risk.

Machine parts

A key enabler for enhancement of efficiency in the processing environment was to ensure automated operations, through availability of machine parts in the automated sorting centres. This materialized and was delivered in March 2020. However, this remains work in progress and will gain further traction in the new financial year.

Multi-functional Devices (Printers, Copiers, Scanners)

The Post Office and the supplier have entered into a partnership to rollout multi-functional devises to identified Post Office sites. Limited progress was reported on the program and high level strategic intervention is now required.

ENHANCE THE CULTURE OF EXCELLENCE - STAFFING OPTIMISATION

Review

The distribution network infrastructure programme was been suspended in quarter three for realignment of the strategy and will gain traction again in the new financial year. Key deliverables, such as the implementation of the organisational structure to operational and ground floor levels and the implementation of the shifts framework through consultation with organised labour, will continue in the new financial year.

Staff positioning - vacancies and crewing

With the establishment of the organisational structure for operations at executive level and the filling of the six regional manager positions in the previous year greater focus, control and accountability were already noticeable. This allowed for the cascading of the structure downwards to district and area level, which included the appointment of 19 district managers and 25 area managers as at the end of March 2020. Staff optimisation mechanisms and crewing methodologies have been introduced to determine and implement the ideal staff numbers at operational level and the process will gain traction in the new financial year in line with the relevant policy and crewing guidelines.

The collective Operations staff complement by end March 2020 consists of 20,557 positions of which 15,193 or 73,9% positions are filled. The incumbents within operations have dropped by 1,783 from the previous year, mostly as a result of the introduction of the VSP program in the latter part of 2019. Staff remains the biggest contributor to the Operations expenses account and represents 71% of total expenses, while at 81,7% if expressed against total operations revenue. Initiatives to reduce the staff bill, and re-focussing on the rebalancing of resources and crewing, are necessary to optimise staff numbers to be effective and efficient.

Capacitating of resources to meet additional demands of SASSA has to gain traction while new initiatives such as eCommerce require increased focus and alignment of human capital to deliver on the need. Training and skills development are essential to meet the demands of a modernised business.

CUSTOMER AND COMMUNITY SERVICES

The total annual complaints received for the year amounted 1 924 compared to 1 833 for 2018/19 and 2 130 complaints for 2017/2018 respectively. Although the number of complaints shows a slight increase from prior year the performance on the resolution of complaints within the 14 days standard was recorded at a respectable 84% for the 2019/20 year. The process of managing customer complaints reaped benefits in terms of turnaround times and the improved responses to customers. This is mostly attributed to streamlined processes and with the establishment of the regional structures and dedicated focus at lower levels, relationships with customers have been prioritised.

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.

SECURITY AND INVESTIGATIONS

Introduction

During 2019/2020 the SA Post Office remained an attractive target for criminals as a result of social grant payments at its Branches. At the end of March 2020, grant payments to the value of R26.6bn had been made at Post Office branches.

Although there had been a notable decrease in reported incidents in comparison to the 2018/2019 Financial Year of 45% – a drop from 4876 to 2682 incidents, the reported loss pertaining to armed robbery and business burglary losses had increased during 2019/2020 by R9 338 560,77 (19%) – from R40 157 073,12 to R49 495 633,89. The high levels of cash demand experienced at Post Office Branches has been a direct cause for the increased armed robbery and business burglary losses.

SASSA debit card fraud driven by external syndicate operators, remains a concern.

Violent Crime Overview

During 2019/2020 SA Post Office branches were the target of 587 armed robbery and business burglary incidents amounting to a reported loss of R42 256 990,66.

This represented an increase of 116 incidents (20%) and an increase of R11 573 236,44 (27%) in reported loss. This amounts to 85% of the total reported loss during the past financial year.

- Armed robbery incidents: Reported incidents increased from 149 to 235 incidents with an increase in reported loss of R17 304 058,17 – an increase in reported loss from R16 730 860,03 to R 34 034 918,20.

- Business burglary incidents: Reported incidents increased from 322 to 352 incidents with a decrease in reported loss of R5 730 821,73 – a decrease in reported loss from R13 952 894,19 to R8 222 072,46.

The total reported loss due to violent crime incidents constitutes 0,18% of the cash payments made at Post Office branches and SASSA paypoints.

During the past financial year, due to the financial constraints it has been experiencing, SA Post Office could not complete various physical security measures at its branches:

- Installation of cash protection devices (416 devices of the total intended deployments of 875 installed)
- Armed reponses and alarm monitoring services
- Alarm repair and maintenance
- Installation of cash time delay safes
- Installation of CCTV systems

As an immediate short-term solution pending the deployment of the physical security measures during 2019, SA Post Office monthly deploys an average of 7000 guarding shifts at its branches and approximately 8000 cash in transit (cash delivery and collection) services over the SASSA payment cycle.

SASSA Related Fraud

With the introduction of the SASSA Postbank debit cards allowing beneficiaries to transact at any Point of Sale (POS), the retail Industry in South Africa experienced an increased level of fraud risks that provide criminal elements the opportunity to defraud beneficiaries and the State.

SASSA fraud is largely syndicate driven, of which many incidents are currently being investigated by the SA Police Services and with various cases pending court hearings. During 2019/2020, 45 fraud related arrests were effected by the SA Police Services.

SA Post Office has reviewed and strengthened their internal control measures and systems to mitigate and curb fraud which inter alia entail

- Implementation of an electronic card inventory management system as well as the
- Implementation of a biometric login system.

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 Licence.

The South African Post Office sees its role as being key to postal development in continental Africa. The disparities within the African Postal Administrations require solutions driven by Africans themselves.

The Post, internationally, is an integral part of national identity and socio-economic development.

The global postal network is made up of postal administrations from 194 countries. The mother-body to which all belong is the Universal Postal Union (UPU), a specialised agency of the United Nations Organisation. Worldwide, there are 630,000 postal outlets driven by a workforce of 6 million. Africa accounts for 1% of the workforce (55,479). South Africa contributes 32% of this continental workforce.

The SA Post Office together with the Department of Communication and Digital Technology (DCDT) focus on the following issues:

- Protecting revenue streams into Africa
- Ensuring that developing countries and African countries in particular have a platform in the UPU to participate effectively in the decision making process
- Managing the technological changes and ensuring that implementation does not disadvantage African postal development
- Capacitating African postal operators to take advantage of new technologies and business models to guarantee the sustainability of the postal business
- Encouraging African countries to diversify postal products into financial and logistics areas to maximise revenue opportunities, particularly with respect to ecommerce
- Ensuring that strategic implementation of international policies is led by African countries on the continent
- Encouraging the speedy development and implementation of the National Addressing and Infrastructure roll-out programs across Africa, in which the SA Post Office intends to play a leading role.

The 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)**

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.

SA Post Office's Active Participation in the Structures of the UPU (POC):

The POC represents the business oriented platform for UPU. Matters related to products, services, postal security, remuneration, letter post and parcel post, new products and marketing are handled in this Council. Consequently many of SA Post Office's efforts are focused at this level.

The importance of this committee cannot be overemphasised. The areas of focus in any cycle for the UPU are determined by the strategy that is adopted. There are tensions in this process due to the disparate developmental levels of countries and regions. Developing countries must ensure that the strategy reflects their realities and the required developmental trajectory. The role that SA has to play assumes great significance in this context.

Our election into these councils therefore requires a greater commitment of resources commensurate with this requirement, coupled with the identification of a core team that will be part of this international engagement.

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.

Southern African Postal Operators Association (SAPOA)

The organisation 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 (Chair), Malawi, Mauritius, Mozambique, Namibia (Vice-Chair), 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.

CCPA has held 14 Conferences and 7 pre-Congress meetings during the year.

International Projects

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.

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.

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. The company emitted 8 702 tons for the year year under review. This was 23% below the target of 11 344 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. The organisation emitted 33 236 tons of carbon emissions; this exceeded the threshold of 33 094 tons by 0.42%.

Energy consumption was 0.81% better than the 2018 year. Post Office saved 17% in electricity cost compared to the previous year.

Waste management

The target for paper consumption is a reduction of 2.5% compared to the year before, and for 95% of all paper to be recycled. The paper recycling target was not met; the target was to recycle 76 tons of paper, and only 54 tons were recycled.

CORPORATE SOCIAL INVESTMENT

The Brave Foundation was registered as a non-profit Trust (for approximately 7 years) based in Cape Town in South Africa. To date, the foundation had supported over 550 individuals, adults and children, along with their families, through recovery from physical trauma of all kinds, on a donation basis.

The mission of the Foundation was to ensure that irrespective of prognosis, those at Brave are empowered and enabled, never limited, and rather go on to lead lives of ability and unlimited potential.

The Brave Foundation approached the South African Post Office with a corporate social investment sponsorship proposal. The proposal includes the collection, storage and distribution of wheel chairs by the South African Post Office. In future Brave will work with the Post Office in offering some of their services during SASSA Pay-out Days.

This fits within the Post Office Corporate Citizenship Strategy. The project will enhance the image of the company as a caring company. Secondly partnership with Brave will assist the Post Office Dignity Programme that is associated with SASSA Social Grants Programme.

The Board is awaiting further details from the Foundation prior to approval of the project.

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

Docex Managing Director's Overview

Since its entry into the South African market approximately 36 years ago, Docex has been operating in a niche market within the secure document distribution environment, 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 dominance is boosted by Docex' vast presence within the nine provinces together with its unique product offering.

The service to our members remains our top priority, ensuring that documents are delivered overnight to our members and the courts. Docex will continue expanding its footprint and reach in order to cater for future needs, services and at the same time assist our members in maximising value from their annual membership fee.

The economic landscape together with the digitisation continues to add enormous pressure to the Docex revenue; however these challenges are addressed continuously by means of minimising costs to increase profits together with the development of electronic services.

DOCEX financial performance for the year ended 31 March 2020

Revenue for the year increased from R37.8 million in the prior year to R38.3million in the current financial year. This was due to an increase in both the customer base, and also improved revenue recognition measures put in place in the current year. The increase in revenue was negated by an increase in depreciation and finance costs by R1.6million and R0.8million respectively, this resulting from the application of IFRS 16 accounting standard on leases. This impact resulted in a decrease in reported net profit for the year down from R4.5million in the prior year to R1.6million.

The company reported a decrease in profit before tax (PBT) to R1.7million from R4.5million in the prior year. The current year has seen an adoption of new accounting standards, the main one being IFRS 16 on leases which came into effect on 1 January 2019 its impact as highlighted above.

Financial Indicators

- The entity had a net asset position of R12 million at the end of March 2020.
- The entity boasts cash and investment reserves of R22.8million at the end of the period.
- The quick asset ratio of 1.6 in the current year decreased compared to the 1.79 of the prior year; this represents the company's ability to pay its current liabilities as they become due.
- The company's current liabilities increased by 23% year on year, and current assets increased by 24% compared to prior year.
- There was a decrease in the company's ability to cover its operations from a profit of R3.4 million generated in the prior year to R1.6 million in the current year.
- Payment terms of creditors remain consistently within 30 days.

Docex will continue investing in technological offerings to cater for the current and future needs of our existing and potential new members in this financial year. This will include the modification of the Docex current business and operating model to a complementary model that caters for the physical and electronic document needs of its customers.

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

Dina Lume
Managing Director, Docex PTY(Ltd)

PART C: GOVERNANCE

INTRODUCTION

The The Post Office is a State Owned Company (SOC) with a public service mandate to ensure that the provision of universal, accessible, reliable and affordable postal services. The provision of these services occurs in line with Universal Service Obligations (USO). The 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 Post Office Group comprises the following companies: The Postbank (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.

PORTFOLIO COMMITTEES

The Parliamentary Portfolio Committee on Telecommunications and Postal Services (PPCTS) exercises oversight over the SA Post Office through its Executive Authority, the Minister of Telecommunications and Postal Services. 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 Post Office appeared before the Portfolio Committee on Telecommunications and Postal Services on the following matters: quarterly and annual performance reporting; strategic and annual performance plans; financial performance and the social grants project. The Post Office over the reporting period also provided replies for Parliamentary questions on varied matters through the Minister.

EXECUTIVE AUTHORITY

The Minister of Communications and Digital Technologies fulfils the PFMA defined role of Executive Authority over the SA Post Office, and is also the sole shareholder on behalf of the South African Government over the SA Post Office. The Post Office had numerous interactions with the Minister in relation to performance, funding and governance matters. The Inter-Ministerial Committee (IMC) on Comprehensive Social Grants provided strategic leadership and oversight over the SA Post Office participation in the payment of social grants project.

THE ACCOUNTING AUTHORITY/ THE BOARD

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

The Board approved the Annual Financial Statements, Auditor-General Report as well as the Annual Report for the SA Post Office Group of Companies for the 2019/2020 year.

The Annual General Meeting will be held on 19 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).

BOARD MEMBERS

Mr Comfort Ngidi – Chairperson (until 07 October 2019)

Full-time director at Ngidi & Company Inc; part-time Chairperson of Ezemvelo KZN Wildlife
Qualifications:
BA (Law) and LLB degrees from the University of Natal
Completed course on Judicial Skills for future judges
Completed courses on Board Skills at Wits Business School

Ms Nomahlubi Victoria Simamane – Deputy Chairperson (until 07 October 2019)

Ms Simamane is the CEO of Zanusi Brand Solutions, a branding consultancy she founded in 2001. She has delivered brand building strategies and activated plans for blue chip companies and state owned entities and has over 20 years international experience in application of effective strategies. She gained her experience in Unilever and British American Tobacco where she worked for 12 and 5 years, respectively, in roles of Marketing Manager and Marketing Director. She became the first black female Managing Director of a top 20 SA Advertising Agency in 1999.

Ms Simamane holds the following qualification: B.Sc. Honours in Chemistry and Biology - University of Botswana and Swaziland (1981).

Her area of contribution to the Board is in business strategy, business development, retail, sales and marketing.

Mr Phetole Elvis Rabohale – Board member (until 07 October 2019)

Mr Rabohale was a Human Resource Director at SepFluor Ltd, a mining company, since 2012. He held executive and management positions as General Manager, Chief Finance Officer, Chief Operating Officer and Managing Director at various organisations since 1994. He was General Manager for Processing Planning and Development (Mail) at SA Post Office until 2004.

Mr Rabohale possesses the following academic qualifications: MBA; Master of Development Finance; BComm-Honours (Business Management); BComm; National Higher Diploma (Industrial Engineering); National Diploma (Organisation & Work Study).

His key area of contribution to the Board, due to his past employment with SA Post Office and knowledge of, and working experience at mail operations, Mr Rabohale assists the Board in strategy and human resource and performance matters.

Ms Lesego Dawn Marole - Board member (until 07 October 2019)

Ms Marole is Executive Chairperson of Executive Magic, an investment holding company. Prior to that she worked in executive and senior management roles of Executive Director: Strategic Projects, Executive Director: HR, Deputy CEO, Executive Director at the African Bank Investment Ltd and Fabcos Investment Holdings Company as well as Thebe Health Care (Stratmed) since 1996. She has served on the Presidential Review Committee of State-Owned Enterprises and the Export Advisory Board. She serves on the boards of various companies including MTN, DBSA, Santam, and Richards Bay Mining Holdings.

She holds the following qualifications: BComm; Diploma in Tertiary Education; MBA; Executive Leadership Development Programme; and Global Executive Leadership Programme. Her key areas of expertise are Strategy, Business Leadership, Governance, Banking and Human Resource Management.

Mr Mdu Zakwe – Board member (until 07 October 2019)

Mr. Zakwe is Executive Chairman of Cyber Core (Pty) Ltd, an entity primarily focused at cyber talent development, research and development into cyber offensive and defensive products and solutions and generally assists other companies mature towards an acceptable business resiliency against cyber-attacks, threats, risks and vulnerabilities

Prior to that he held positions of Partner and Director at EY (Africa Enterprise Intelligence) KPMG (Head of KZN IT Advisory) and Nkonki (Head of IT Audit). He has worked at Unilever, FirstRand, AngloGold in SAP Project Implementation, Credit Re-engineering and IFRS Implementation respectively.

Mr. Zakwe is a Chartered Accountant with an MBA in IT & Commerce. He has authored a journal on Electronic Bill Presentment & Payment and he continues to contribute to literature like the IRMSA Annual Risk Report. He is certified in Applied Cyber Security with the Massachusetts Institute of Technology.

He has served as Chairperson of various audit and risk committees (Department of Science & Technology, UIF, Department of Labour, and State Security Agency) and also served as member of audit committee at Trade & Investment KZN, FASSET, and City of Johannesburg, Public Service Commission.

When he was President of the South African Institute of Chartered Accountants in KZN he also served as non-executive Board Member of SAICA nationally and the Black IT Forum. He currently serves as a member of Risk Intelligence Committee with the Institute of Risk Management South Africa. He is a founding member and ex-Chair of Cebisa Financial Services Cooperative operating primarily in KwaZulu Natal. He also contributes to our national food basket through his hydroponics farm which produces various capsicums.

Dr Moretlo Molefi – Board member (until 07 October 2019)

B.Sc., MBCHB, TelemedDip, SMP

Dr. Lynette Moretlo Molefi is a South African medical doctor, a dynamic and versatile entrepreneur and business executive, with a reputation for exemplary leadership. She has been one of the few pioneers of telemedicine in South Africa and Africa with representations at various levels of government and non-governmental organizations.

Currently she holds executive positions at Telemedicine Africa (Pty) Ltd and Sunpa Africa (Pty) Ltd. She also serves as a board member of HCI, a JSE listed company; The International Society for Telemedicine and eHealth; Business System's Group Africa, a business and software company; Syntell, a leading blue chip company providing technology based services for Road Safety, Traffic Management and Revenue Collection and most recently she has been appointed to serve on the Board of Lodox Systems – a South African company that produces a unique full-body X-ray scanner, the only one of its kind currently on the market.

Dr Molefi's success has been built on a solid work ethic, a belief in the power of technology, and an unwavering insistence that business must do good to do well.

Mr Kgosie Matthews – Board member (until 03 March 2020)

A highly motivated and accomplished Senior Business Executive, with strong experience in international relations, politics, and international business strategy. He has excellent communication skills with individuals at all levels, and is fluent in three languages. Mr Matthews is skilled at developing business and investment strategies, promoting growth and expanding markets, and is highly experienced with dealing with governments, international organisations, corporations and officials at all levels. He possesses qualifications in International Relations, International Finance and Political Science, including a Master's Degree from Harvard University. Currently he is Managing Director of Valhalla Capital, a diversified privately held investment holding company.

Dr Charles Nwaila - Board member (until 30 March 2020)

Dr Charles Nwaila has been working in the public sector for 42 years and has occupied various managerial and leadership positions over the years. He has worked with fourteen Executive Authorities for almost twenty four years of democracy. In the last year of his career in 2017, as Director General of DTA from September 2010 to date, he was further given a rare opportunity of being the Director General of two departments- acting for a year on the other department of Cooperative Governance. Dr Nwaila was able to run the two departments simultaneously with effect from 1 February 2017 to 30 November 2017. During the same period, the Department of Traditional Affairs received a clean audit opinion in both performance and financial audits.

Dr Charles Nwaila was the Director General of the Department of Traditional Affairs within Cooperative Governance and Traditional Affairs (DTA) Ministry.

Dr Nwaila was elected to be a member of the Executive Committee of the African Association for Public Administration and Management- a South African Chapter. Dr Nwaila has annually delivered South African position paper and progress at the United Nations on the rights of the indigenous people of South Africa. Dr Nwaila participated as a panellist member on the review of the School of Public Management and Administration of the University of Pretoria.

Dr Nwaila has also been a member of the Forum of South African Directors General (FOSAD) and a member of the FOSAD Governance and Administration cluster for almost 13 years, which processes government policy and discusses challenges experienced in the implementation of policies at national, provincial and local government level. Dr Nwaila has over the years advised SAMDI and PALAMA (National School of Government) on how it needed to reposition itself within the fast changing environment.

Adv Galetlane Rasethaba - Board member (until 30 March 2020)

Advocate Juliana Rasethaba is an Advocate of the Supreme Court of South Africa, a highly seasoned litigant of extensive experience with many years as an Attorney prior to being an Advocate.

She has B PROC Degree, LLB, LLM and a Higher Diploma in company law.

She has played a leading role in contributing to the telecommunications landscape, having worked in Telkom for 10 years in Governance and Risk roles.

An accomplished leader that is innovative and insightful, she is a Governance expert, a Mediator and Arbitrator, a certified coach and public speaker and member of Dr John Maxwell team of Florida US.

Mr Mark Barnes - Chief Executive Officer (until 31 July 2019)

Mark Barnes is widely known as an Investment Banker in South Africa. He has had 30 years of experience in financial services, holding positions of leadership at Standard Bank, Capital Alliance and Brait. Mark has had a wide exposure to financial markets previously as Head of the biggest Treasury operation in South Africa and as Chairman of the South African Futures Exchange. He is currently the Chairman and the single biggest shareholder in the Purple Group, a listed company with interests primarily in financial markets trading and asset management.

Mark Barnes graduated from UCT with an Honours Degree in Actuarial Science and attended a Management Programme at Harvard Business School.

In January 2016, Mark joined the South African Post Office as CEO, to head up a turnaround strategy at the SOE.

Ms Lindiwe Kwele – COO Board member

Lindiwe Kwele was appointed as Chief Operating Officer of the SA Post Office on 5 June 2017.

Before that, she was Deputy City Manager for the City of Tshwane Metropolitan Municipality from January 2012, and acted as City Manager from August 2016 until she was appointed at the SA Post Office. The City of Tshwane employs 25 000 people.

From December 2008 until her appointment in Tshwane, she was CEO of the Joburg Tourism Company. She was also CEO of Durban Africa and head of the Business Support Until at the EThekwini Metropolitan Municipality.

She holds an MBA from the University of Wales and has successfully completed the Gordon Institute of Business Science's Executive Leadership Programme, the Municipal Finance Management Programme at the University of Pretoria, an Advanced Business Programme at the Natal Technicon, as well as a B Admin degree (majoring in Economics and Public Administration) at the University of Durban-Westville (now UKZN).

Mr Jabulani Dlamuka - Acting CFO – Board member (until 21 February 2020)

Jabulani was the Acting Chief Financial Officer, until 21 February 2020, of the Post Office and General Manager Finance. Prior to that he was the CFO of Ushaka Marine World, EX Tourism and also as the Acting CFO of Amatola Water Board. Jabulani counts amongst his achievements; funds raising for bulk water infrastructure projects, the implementation of a significant turnaround strategy at Amatola Water, introduction and implementation of new internal control policies and procedures in Finance Department and achievement of unqualified and clean audits. He has a BComm Honours in Accounting and a BComm in Tax AND Estate Planning and is a qualified CA (SA).

Ms Colleen Makhubele (until 23 October 2020)

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

She is one of the 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).

Ms Tia van der Sandt

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.

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 currently CEO of Equity Assure. She was employed at BCX before that, as Senior Manager: Financial Excellence.

Col Sipho Luyolo Majombozi

Sipho Majombozi has extensive experience in leadership at executive and board level, both in government and the private sector. He is a director of Tourvest Integrated Tourism Group, chairman of Nestlife Assurance Corporation 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. Both post graduate diplomas are from the University of Melbourne.

Ms Nolitha Pietersen CA (SA)

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

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

She is a Board member of Mayibuye Transport Corporation and serves on the Board of the Eastern Cape Development Corporation. She also serves on the Board of the Eastern Cape Department of Health.

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

Adv Emmanuel Tladlametse Lekgau

Emmanuel Tladlametse 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)

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

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

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

Nondumiso Ngonyama holds a Bachelor of Laws degree from the University of Fort Hare and is a practising attorney.

She is a council member in the South African Judicial Education Institute, and a member of the Ministerial Advisory Committee on Annexed Court Mediation.

Nondumiso is chairperson of the Post Office Board's Human Resources and Remuneration Committee and a member of the Audit and Risk Committee.

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 defence, 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.

Attendance of SAPO Board of Directors meeting and committee meetings

1 APRIL 2019 TO 31 MARCH 2020

NAME	DESIGNATION	APPOINTMENT / RESIGNATION	SA POST OFFICE BOARD	SPECIAL BOARD MEETINGS	DOCEX BOARD	AUDIT COMMITTEE	RISK COMMITTEE	IT GOV COMMITTEE	STP COMMITTEE	SPECIAL STP COMMITTEE	HR & TRANSFORMATION & PERFORMANCE COMMITTEE	REMUNERATION COMMITTEE	SOCIAL & ETHICS COMMITTEE	STAMP ADVISORY COMMITTEE
Mr ZC Ngidi	Non-Executive Director Chairperson	Appointed 15 August 2015 Term ended 7 October 2019	3/3#	7/8#	-	-	-	-	-	-	-	-	-	1/1
Ms NV Simamane	Non-Executive Director Acting Deputy Chairperson	Appointed 15 August 2015 Term ended 7 October 2019	2/3	5/8	-	-	-	-	-	-	1/2	-	-	-
Ms MLD Marole	Non-Executive Director	Appointed 15 August 2015 Resigned 7 October 2019	1/3	4/8	-	-	-	1/1#	-	-	4/4#	-	-	-
Dr LM Molefi	Non-Executive Director	Appointed 15 August 2015 Resigned 7 October 2019	3/3	5/8	-	-	-	1/1#	-	-	4/4	-	-	-
Mr PE Rabohale	Non-Executive Director	Appointed 15 August 2015 Resigned 7 October 2019	2/3	3/8	-	1/2	1/1	1/1	-	-	1/2	-	-	1/1#
Mr ME Zakwe	Non-Executive Director	Appointed 15 August 2015 Resigned 7 October 2019	2/3	6/8	-	1/2#	1/1	-	-	-	-	-	-	-

NAME	DESIGNATION	APPOINTMENT / RESIGNATION	SA POST OFFICE BOARD	SPECIAL BOARD MEETINGS	DOCEX BOARD	AUDIT COMMITTEE	RISK COMMITTEE	IT GOV COMMITTEE	STP COMMITTEE	SPECIAL STP COMMITTEE	HR & TRANSFORMATION & PERFORMANCE COMMITTEE	REMUNERATION COMMITTEE	SOCIAL & ETHICS COMMITTEE	STAMP ADVISORY COMMITTEE
Mr ZK Matthews	Non-Executive Director	Appointed 1 October 2016 Resigned 2 March 2020	7/7	19/20	2/2	2/2	1/1	-	3/3	5/5	-	-	-	1/1
Dr MC Nwaila	Non-Executive Director	Appointed 1 April 2018 Resigned 31 March 2020	6/7	19/20	2/2#	4/5	-	-	-	-	-	-	3/3#	-
Adv JG Rasethaba	Non-Executive Director	Appointed 1 April 2018 Resigned 31 March 2020	7/7	18/20	-	4/5	1/1#	-	-	-	-	2/2#	1/1	-
Ms TC Makhubele	Chairperson	Appointed 25 October 2019	4/4#	15/15#	1/2	-	-	1/1#	3/3#	5/5#	-	1/2	2/2	-
Ms CM van der Sandt	Deputy Chair-person	Appointed 25 October 2020	4/4	13/15	-	3/3#	-	-	3/3	5/5	-	-	-	2/2
Ms NP Ngonyama	Non-Executive Director	Appointed 25 October 2020	4/4	12/15	-	-	-	-	-	-	-	2/2	-	
Mr ST Nkese	Non-Executive Director	Appointed 25 October 2020	3/4	5/15	-	1/3	-	-	-	-	-	-	2/2	2/2#
Ms NZ Siyotula	Non-Executive Director	Appointed 25 Oct 2019 Resigned 31 March 2020	3/4	7/15	-	2/3#	-	1/1	-	-	-	-	-	-

NAME	DESIGNATION	APPOINTMENT / RESIGNATION	SA POST OFFICE BOARD	SPECIAL BOARD MEETINGS	DOCEX BOARD	AUDIT COMMITTEE	RISK COMMITTEE	IT GOV COMMITTEE	STP COMMITTEE	SPECIAL STP COMMITTEE	HR & TRANSFORMATION & PERFORMANCE COMMITTEE	REMUNERATION COMMITTEE	SOCIAL & ETHICS COMMITTEE	STAMP ADVISORY COMMITTEE
Mr KA Ramoadi	Non-Executive Director	Appointed 25 Oct 2019 Resigned 20 August 2020	2/4	12/15	-	-	-	-	3/3	3/5	-	2/2	-	2/2
Mr B Ramokhele	Non-Executive Director	Appointed 4 March 2020 Resigned 12 June 2020	-	2/2	-	-	-	-	-	-	-	-	-	-

 # CHAIRPERSON

COMMITTEES

The statutory committees of the Board are: the Audit Committee; Human Resources Committee and Transformation Committee; Remuneration and Performance Committee, 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 (STP), the Postbank Committee; the Risk Committee and the Stamp Advisory Committee.

AUDIT COMMITTEE

The SA Post Office Audit 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 is responsible for, evaluating the Group's financial statements which will be provided to Parliament and other stakeholders, the systems of internal control which management and the Board have established, the audit processes, the risk management framework and assessing the Group's financial performance against its Corporate Plan.

RISK COMMITTEE

During the reporting period it was decided to establish a stand-alone Risk Committee in order to provide sufficient time and reporting of risk management. 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. It further reviews significant risks facing the company and reports these to the Board. The scope of the Committee extends across the Group to include the subsidiary companies whose products and processes expose the Group to Credit Risk, Liquidity Risk, Market Risk, Balance Sheet Risk and Operational Risk within the legislative and regulatory framework that governs the SA Post Office Group. Representatives of Group Risk Management, Internal Audit, the Security and Investigations division and all core Business Units attend all meetings of the Committee.

REMUNERATION AND PERFORMANCE COMMITTEE

The Remuneration and Performance Committee was established in accordance with the SA Post Office Act, section 14(2)(a)(i) during the financial year. The committee reviews all aspects relating to remuneration and performance within the Group.

HUMAN RESOURCE AND TRANSFORMATION COMMITTEE

The Human Resource and Transformation Committee was established in accordance with the SA Post Office Act, section 14(2)(a)(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 COMMITTEE

The Committee is responsible for overseeing on behalf of the Board, the execution of IT-related decisions across the Group. The committee reports to the Board and is responsible for the governance of IT across the Group, which includes monitoring and reviewing IT policies and practices to ensure that the required IT support is provided and that IT is positioned as a key enabler for business. The Group CEO, the Chief Information Officer (CIO) and relevant representatives from management attend meetings of the committee.

STAMP ADVISORY COMMITTEE

This is an advisory committee which has been established to advise the Minister of Telecommunications and Postal Services on the South African annual stamp issue program and related issues. The Committee is made up of specialists in philately and representatives from Department of Telecommunications and Postal Services and a representative from the Post Office Board. The committee meets four times a year and on an ad-hoc basis if required.

STRATEGIC PLANNING COMMITTEE (STP)

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. Members are appointed by the Board and comprise of at least three non-executive members of the Board on a term of maximum three years, extendable thereafter.

SUBSIDIARY COMPANIES

DOCUMENT EXCHANGE GROUP (DOCEX) BOARD

The Document and Exchange Group (DOCEX) is an operating subsidiary company of the South African 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 year under review, the Courier and Freight Group was inactive.

SOCIAL AND ETHICS COMMITTEE REPORT FOR THE YEAR ENDED 31 MARCH 2020

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 Committee fulfils its functions across the SA Post Office Group. Therefore, none of the subsidiaries have constituted a separate social and ethics committee.

The report highlights how the committee discharged its responsibilities during the 2019/20 financial year and it will be presented to the Shareholder at the 2019/202 Annual General Meeting (AGM).

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 organization'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 the SA Post Office is, and seen to be, a good corporate citizen particularly in relation to the following:
  - 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;
- Legally acceptable labour and employment policies and practices of the SA Post Office, including that:
  - The organization's standing in terms of the International Labour Organisation (ILO) protocol on decent work and working conditions; and
  - The organization's employment relations and its contribution toward the educational development of its employees.
- Ensuring that the organization's activities are underpinned by effective ethical conduct (as recommended in principle of King IV report on Governance) in that:
  - Leadership demonstrates support of ethical conduct throughout the organization;
  - 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 organization's ethical standards; and
  - Ethical behaviour is entrenched in the corporate culture of the organization.
- The Committee investigates, review and resolve any matters arising from the scope of SA Post Office 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 the SA Post Office 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 three non-executive directors (including the Chairperson). Non-executive directors are members of the Committee for a maximum of three years, renewable once.
- Dr Charles Nwaila (Chairperson),
- Mr Kgosie Matthews
- Dr Moretlo Molefi
- Mr Elvis Rabohale
- Mr Sipho Nkese (SOEC member from 12 December 2019)
- Ms Colleen Makhubele (SOEC member from 12 December 2019)
- The Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Operations Officer, five other group executives are permanent invitees to all committee meetings.

Meetings

The Social and Ethics Committee met 3 times over the 2019/20 reporting period wherein it received reports from management and provided oversight over the key focus areas of the committee.

Charter of the Committee

The Charter of the Social and Ethics Committee was reviewed and subsequently approved by the Board.

Social Responsibility

The Committee unfortunately could not support the continued relationship with the Brave Foundation due to lack of funding in the reporting period.

Security and Investigations

Over the reporting period the Committee noted with concern an increase in crime especially in relation to the payment of SASSA grants as well as in some Post Offices, and recommended improvements in the security measures and controls.

Compliance and Regulatory Matters

The Social and Ethics Committee over the reporting period considered the following Compliance Reports:

- Compliance Charter, and Compliance Policy were reviewed and subsequently approved by the Board.
- Compliance Universe under which the company operates was also considered by the Committee
- Compliance Risk Register
- SASSA/SA Post Office Service Level Agreement (SLA) Compliance Reports
- SASSA Grant Opinionnaire survey that was conducted across the country at various SASSA pay points
- Compliance Activity Plan, which monitors the activity of the SA Post Office Compliance Unit
- FICA/FAIS Report – As an Accountable institution in terms of the Financial Intelligence Centre Act no 38 of 2001, Schedule 1, sections 13 and 18, the SA Post Office is required to develop, document, maintain and implement a programme for anti-money laundering and counter terrorist financing risk management and compliance plan, and in this regard the Committee recommend to the Board the approval of FICA Risk Management Compliance Programme.
- BBBEE Compliance Plan –
- Occupational Health and Safety Reports – Of concern to the Committee was the lack of compliance of SA Post Office premises and properties to health and safety requirements. The Committee noted the lack of funding to improve health and safety conditions in SA Post Office Properties and recommended a that management compile a prioritised plan for premises highest at risk as well as consideration of exploring of partnerships which may results in the upgrade and maintenance of SA Post Office Properties .
- Employment Equity Reports
- Consumer Relations Report – SA Post Office had substantially increased the roll-out of addresses as part of the address expansion project. Call centers would be consolidated in order to improve efficiencies and the resolution of customer complaints.

Ethics

The Committee appointed the Internal Audit Executive, Mr Claude Phillips as the Ethics Caretaker and supportive role over SA Post Office Ethics, but that the Security and Investigations Unit to be the core functionaries underpinning ethics in the organisation.

Stakeholder Management

The Committee reviewed and the Board subsequently approved the Stakeholder Strategy, which purpose was to drive strategic direction and operational excellence and to

contribute to sustainable development from which SA Post Office it stakeholders and wider society can benefit Committee was satisfied over the reporting period that the organisation was adequately reporting on compliance matters, but that due to lack of funding positive outcomes remained elusive and non-compliance to key measures were increasing, and that non-financial improvements and partnerships may have to be explored as options to improve the situation.

MEMBERSHIP OF THE COMMITTEE

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

- Dr Charles Nwaila (Chairperson) until 31 March 2020
- Adv J Rasethaba (until 31 March 2020)
- Mr ST Nkese
- The Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Operations Officer, five other group executives are permanent invitees to all committee meetings.

Meetings

The Social and Ethics Committee met 4 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:
The established Compliance Universe of SA Post Office

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. A summary is provided in this report but we have also attached the detailed report for ease of reference.

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.

The 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 to multi-year contracts with suppliers. The Committee led a process on behalf of the Board to receive an improved and compliant rating in 2019, and the lifting to prominence, performance and reporting of the subcontracting to BEE companies by qualifying SA Post Office suppliers. Furthermore, a workshop during the year under review was conducted to ensure that all members of the Committee are adequately informed and a task team has also been established to monitor performance in this area of work.

ENVIRONMENTAL, HEALTH AND SAFETY ISSUES

An improved funding position has enabled the approval of projects for major refurbishment of mail centres and the prioritisation of health and safety measures, including equipment, signage and personal protective clothing.

CONSUMER RELATIONS

A consistent income stream in terms of mail revenue attests to consumer loyalty and this loyalty has been strengthened with an improved service and operational offering; the upgrading of

the entire network, training programmes and the improvement of service offerings.

STAKEHOLDER MANAGEMENT

The Committee provided oversight over the development of a Stakeholder Management Strategy. The demands for the Post Office's comprehensive approach to stakeholder and media relations approach, are elevated by the need for cohesion on how the shareholder, employees and the general public perceive the organization. The strategy road map toward the development of a shared messages framework to be delivered to all Post Office stakeholders is summarised below.

The strategy will focus on Post Office stakeholders that include the shareholder, customers, employees, lenders, National Treasury, media, general public, ICASA and UPU as well as other key stakeholders. The media relations aspect is raised as part of the broader stakeholder strategy given that in the past 6 months, SA Post Office has experienced largely balanced and positive reporting on the SASSA grants payments project.

ENVIRONMENTAL SUSTAINABILITY

SA Post Office also focused on detailed sustainability on water, paper, recycling and reduction of carbon footprint, through smart metering, energy management system implementation, Green Procurement Handbook Launch, Compressed Natural Gas Vehicle implementation. Scope 1 emissions were within target during the year under review.

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:

- Responsible business conduct: the choices and actions of employees and agents that foster and meet the reasonable expectations of enterprise stakeholders.
- Responsible business enterprise: an enterprise characterised by good governance policies and management practices as well as by a culture of responsible business conduct. It is adept at dealing with the challenges and complexities of its business environment, but holds closely to its purpose, core values, and vision.
- Business ethics program: a tool that owners and managers use to inspire, encourage, and support responsible business conduct, by engaging enterprise stakeholders in order to foster and meet their reasonable expectations, and designing structures and systems to guide and support employees and agents

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 SA Post Office culture.

Mr Emmanuel Lekgau
Chairperson – Social and Ethics Committee

PART D: HUMAN RESOURCES 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 contracting for managers (2019/20) was completed. Year-end assessment was been delayed as a result of the Covid-19 pandemic. A submission on performance related salary increases for managers was approved by Board, but implementation was delayed as annual salary increases (2020/21) could not be implemented. The implementation of performance management for non-managerial employees is continuing. The Remuneration Strategy was recommended by Exco and submitted to the Board for approval.
- Annual salary increases (2019/20) were implemented during September 2019 retrospectively with effect from 1 April 2019.
- The process to ensure proper management of the post-retirement medical aid subsidy (PRMA) liability continued.
- New medical aid schemes were implemented.
- The conversion of 80% of permanent part-time employees to full-time was implemented on 1 March 2020 in line with the wage agreement with organised labour.
- As a result of the new leave policy and actively addressing accumulative leave balances, a total number of 112 405 leave days was forfeited at the end of March 2020 by 7 384 employees. The estimated cost saving based on average salary is R71, 4m.
- Voluntary Severance Packages were offered during the second half of the year under review and 730 applications were approved at a cost of R129.3m with a projected saving of R182.4m per annum.
- Changes to the leave policy were approved which included paternity leave, adoption leave and commissioning leave.
- Permanent staff numbers reduced by 3% from 17 249 (1 April 2019) to 16 738 (31 March 2020). Non-permanent (1 April 2019) dropped from 1 110 to 250 (31 March 2020): a reduction of 77% in non-permanent employment.
- 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.

HUMAN RESOURCES OVERVIEW

Personnel Cost

Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	% of Personnel expenditure to total cost	No. of employees	Average personnel cost per employee (R'000)
R6 731 601	R3 871 934	58%	16 738	R231 266

Staff expenses is the main cost driver which contributes 58% of total costs.

Staff Establishment

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

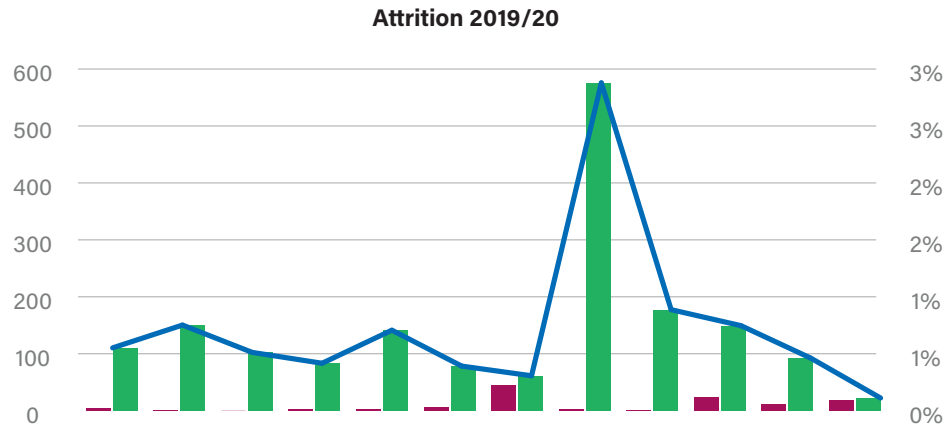
Salary band employment at beginning and end of period

Salary band	Employment at beginning of the period	Appointments	Terminations	Internal movement *	Employment at end of the period
Top Management	35	5	7	-2	35
Senior Management	233	2	39	2	194
Specialist	393	17	37	-6	379
Skilled	3108	31	284	-254	3109
Semi-skilled	13652	64	1275	239	12202
Unskilled	938	0	98	21	819
Total	**18359**	**119**	**1740**		**16738**

* Internal appointments.

Attrition

At the end of March 2020 the Post Office had 16 488 permanent and 250 non-permanent employees. The attrition rate is 10%.



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Appointments	5	1	0	3	3	6	44	3	1	23	12	18
Exits	110	150	102	83	141	78	61	575	177	149	92	22
%	1%	1%	1%	0%	1%	0%	0%	3%	1%	1%	1%	0%

Recruitment and Appointments

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

During the financial year, recruitment for most vacant positions were put on hold due to the financial constraints of the organisation. However, the process of recruiting at executive level is continuing: A CFO has been appointed after the period under review. All other vacant executive positions have been put on hold until the moratorium on appointment is lifted.

The 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 top 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 for this quarter 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 activities; only 37 employees remained at the end of March 2020 to conclude the final sign-off. 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 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 retirements for 2019/20 are mostly on the lower levels and therefore the cost is low.
- 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 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 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 ac-

tive 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 upskilling of the current employees, recruit and employ young 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 level	Total	White	African	Coloured	Indian	Male	Female	Under/ over represented
Top Management	32	8	19	2	3	26	6	The figures are reflecting an over rep-resentation of the African, Indian and white males. Opportunities exist for the appointment / development of African, and Coloured males and females.
Senior Management	85	24	50	5	6	57	28	White males and females, Coloured males, Indian males should be guarded for appointment. There is an opportunity for African males and females as well as Coloured male and females. Appointments and development should be considered when the opportunity arises.
Professionally qualified and experienced specialists and mid-management	246	58	150	21	17	159	87	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.
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	3136	504	2120	364	148	1364	1772	Opportunities exist for the appointment / development of African males. The other groups overrepresented at this level.
Semi-skilled and discretionary decision making	12118	727	9792	1300	299	6592	5526	Black, Coloured and Indian males are over-represented. Opportunities exist for the appointment /development, Coloured and Indian females as well as white males and females.
Unskilled and defined decision making	871	12	735	122	2	256	615	Black and Coloured females as are over rep-resented. Opportunities exist for the appointment /development of Black and Coloured males as well as Indian and white males.
Non-perm	250	3	244	2	1	97	153	
Total	**16735**	**1336**	**13110**	**1816**	**476**	**8551**	**8187**	

Recommendations

- Remediation is to target the underrepresented during the recruitment and selection process.
- The other processes that need to be explored should be in the areas listed below.

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 interventions in support of the business strategy have been identified and included in the Work Skills Plan 2019/20. A mandatory grant amounting to 4.3 million was received from SSETA. SSETA has awarded a discretionary funding of 2 Learnerships (Customer Service Management and Frontline Services). SCM is in process of finalising the procurement of training providers.

In addition, a list of interventions that include skills development and compliance have been identified by business and funding is being negotiated with SSETA. Learning and Development endeavours to support government initiatives that are meant to uplift the lives of South Africans by bring services close to their communities. Learning and Development in support of Operations, Sales and the Department of Health has coordinated the training of tellers and branch managers in identified offices to dispense and distribute chronic medication. Newly appointed tellers were trained on frontline services before they assumed their duties. A total of 247 employees were trained on the Digital Terrestrial Television project (DTT).

The focus of learning and development will be on employees that have both qualifications and a skills gap. These employees will be exposed to initiatives that the organisation is currently focussing on, including

- Bursaries
- Management Development Programmes
- Learnerships and other initiative as included in the WSP.

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

Background

A skills and qualifications audit process started in the 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 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 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 interventions are implemented according to the WSP and Ad-hoc requests received from business

- The emerging landscape in the global Postal Operations environment has revealed that SA Post Office current skills and competencies need to be restructured to meet new and developing challenges such as those related to 4IR
- Learning and development programs need to focus on meeting the new and developing challenges

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.

Functional training	Functional training is aimed at enhancing skills, knowledge and attitude of employees when perfoming their functions. It is one way in which performance and quality can be improved. It results to happy customer. Examples of training under this offering include teller training for newly appointed tellers
Compliance Training	Is training mandated by legislation, regulation or policy. It educates your employees on the laws or regulations applicable to their job function or industry.
Learnerships	Are work based learning programmes directly related to an occupation or field of work that leads to an NQF registered qualification.
Essential skills	Include interpersonal skills and soft skillks. These types of skills are key inensuring effective communication and interaction with colleagues, customers, clients and various stakeholders
Short courses, Workshops and Seminars	Helps employees to regularly acquire new skills, knowledge and competencies related to their job functions and proffessions
Leadership and Management Development	Aims to equip management with Leadership skills and qualities that are essential in the day to day running of business and operations to enable them implement process improvement and faccilitate change management. Examples include Mentoring and Coaching, Management Orientation, Change Management

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 through our EAP practitioners.

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.

EMPLOYEE RELATIONS

Since the conversion of casual labour to permanent part-time employment and the conclusion of recognition agreements with organised labour, the Post Office workplaces have become significantly more stable.

Engagement Process

In 2019 the stakeholders signed a two-year wage agreement for 2019/20 and 2020/2010. 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.

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 on the grounds that 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.

Case Management

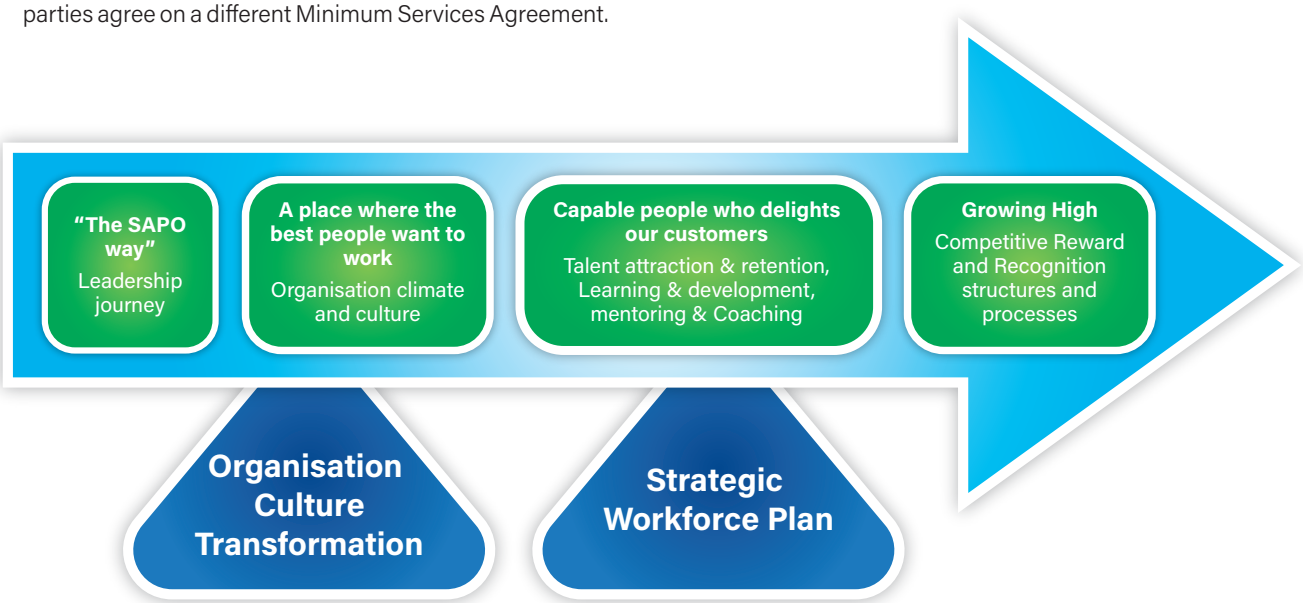
Management of labour related cases has been relatively stable and was consistently applied.

- A total of 682 misconduct cases were finalised during the year of reporting. A total of 55 cases were still pending at the end of March 2020.
- A total of 123 grievances were resolved for the period reporting. As at the end of March 2020 there were 34 pending grievances.
- A total of 72 suspensions were finalised during the year under review. There were 27 suspensions pending as at the end of March 2020.
- A total of 152 dismissals were sanctioned for the period reporting.

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 Post Office's strategic intent.

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



PART E: FINANCIAL INFORMATION

Report of the Auditor-General to Parliament

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 71 to 75, which comprise the consolidated and separate statement of financial position as at 31 March 2020, consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity, and consolidated and separate statement of cash flows and for the year then ended, as well as the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.
2. I do not express an opinion on the consolidated and separate financial statements of the group 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 note 46 to the consolidated and separate financial statements, the group and company incurred losses of R1 768 205 000 and R1 769 758 000, respectively, for the year ended 31 March 2020. Furthermore, at that date, their current liabilities exceeded their current assets by R1 495 965 000 and R1 466 948 000 for the group and company, respectively. The group and company were therefore commercially insolvent because they were unable to pay their debts as and when they were due, even though their total assets exceeded their total liabilities. Additionally, I was unable to obtain sufficient appropriate audit evidence to confirm the reasonableness of the cash flows forecasted 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.
4. Note 46, further indicates multiple factors that impact on the assessment of the group and company's ability to continue as a going concern. However, the group did not adequately disclose in note 46 to the consolidated and separate financial statements, all the principle events and conditions that may cast significant doubt on the group and 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 and significant judgements made by management as part of its assessment as required by IAS 1, Presentation of financial statements. The group had various initiatives intended to improve the financial standing of the group and company, the most important of these being the application for the COVID-19 relief funding from government. There was however, no confirmed funding in the subsequent revised budget announced by government. Consequently, I was therefore further unable to confirm or dispel whether it is appropriate to prepare the consolidated and separate financial statements using the going concern assumption.

Discontinued operations

5. The group did not disclose the discontinued operations and the net disposal group of assets for the banking division operations that were transferred to a separate entity, effective from 1 April 2019, as the fair values of the assets and liabilities were not yet determined at that stage and due to the fact that the accounting records were maintained on an integrated system for the group. Under IFRS 5, Non-current assets held for sale and discontinued operations, the banking division's assets and liabilities should have been disclosed as a disposal group at their fair values and its revenue and operating profit disclosed as discontinued operations in the comparative figures. Had these disclosures been made, many elements in the accompanying consolidated financial statements would have been materially affected. The effects on the consolidated and separate financial statements for the failure to disclose the discontinued operations, which is included in note 47 to the consolidated and separate financial statements, have not been determined.
6. The group did not recognise the loss on transfer of the banking division in accordance with the principles of IFRS 10, Consolidated Financial Statements. As stated in paragraph five above, a division of the group was transferred to a separate entity for no consideration, and the net asset value of the division was recognised as an increase of R3 541 421 000 in the carrying amount of unlisted shares at fair value through profit and loss, in that entity, as dis-

closed in note 10 to the consolidated and separate financial statements. Consequently, the profit or loss in the consolidated and separate statement of profit or loss and other comprehensive income is understated by an audited amount of R3 476 081 000 while the unlisted shares are overstated by the same amount, which represents the net value of the division at the date of transfer.

7. During 2019, I was unable to obtain sufficient appropriate audit evidence for other deposits (grants) stated at R508 843 000, as disclosed in note 24 to the consolidated and separate financial statements. I was unable to confirm the liability by alternative means. My audit opinion on the consolidated and separate financial statements for the period ended 2019 was modified accordingly. This amount was transferred as part of the transaction referred to in paragraph five above. Consequently, I was unable to determine whether any adjustment was necessary to the increase reported in the unlisted shares stated at R3 541 421 000 as disclosed in note 10 to the consolidated and separate financial statements.

Other financial assets

8. The group did not measure the unlisted shares at fair value through profit or loss included in other financial assets, at fair value as at year end in accordance with the requirements of IFRS 9, Financial instruments. As a result, the unlisted shares with a carrying amount of R3 541 421 000 were recognised at the net asset value of the assets and liabilities that were transferred, as referred to in paragraph five above. I was unable to determine the impact on the net carrying amount as it was impracticable to do so.

Right of use assets

9. I was unable to obtain sufficient appropriate audit evidence that right of use assets were properly accounted for, due to the inadequate status of accounting records and lack of sufficient appropriate information in support of the reported amount. In addition, site restoration costs relating to the right of use assets of R21 332 000 and R19 812 000 for the group and company, respectively, were incorrectly classified as property plant and equipment disclosed in note 4 to the consolidated and separate financial statements. I was unable to confirm right of use assets by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to right of use assets stated at R643 430 000, as disclosed in note 52 to the consolidated and separate financial statements. In addition, I was also unable to determine whether any adjustments were necessary to depreciation, as disclosed in note 32 to the consolidated and separate financial statements.

Finance lease liabilities

10. 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 lack of sufficient and appropriate information in support of 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 R667 433 000, as disclosed in note 52 to the consolidated and separate financial statements, and whether any adjustments were necessary to the finance expense, as disclosed in note 34 to the consolidated and separate financial statements.

Provisions

11. I was unable to obtain sufficient appropriate audit evidence that the site restoration provision was properly accounted for, due to the inadequate status of accounting records and lack of sufficient appropriate supporting information. I was unable to confirm site restoration provision by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to site restoration provision stated at R300 164 000 and R298 644 000 in note 21 to the consolidated and separate financial statements, respectively, and whether any adjustments were necessary to the finance expense and property, plant and equipment as disclosed in notes 34 and 4, respectively, to the consolidated and separate financial statements.

Trade and other receivables

12. I was unable to obtain sufficient appropriate audit evidence for the other receivables due to the poor status of the accounting records. I could not confirm the other receivables by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to other receivables stated at R318 906 000 and R316 618 000 (2019: R687 536 000 and R685 387 000) in note 16 to the consolidated and separate financial statements, respectively.
13. The group incorrectly recognised in trade receivables amounts invoiced on behalf of another entity contrary to the requirements of IFRS 9, Financial instruments. As a result, trade receivables of R775 219 000 and R767 912 000 in note 16 to the consolidated and separate financial statements respectively, are overstated by R166 000 000. I was unable to determine the related misstatement of another component, as it was impracticable to do so.

14. Cash and cash equivalents

I was unable to obtain sufficient appropriate audit evidence that other cash and cash equivalents had been properly accounted for, for monies that was supposed to have been re-banked by the grant pay-out related to the cash-in-transit service providers, due to the poor status of accounting records and information supporting the other cash and cash equivalents that was not submitted. I was unable to confirm other cash and cash equivalents by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to other cash and cash equivalents stated at R409 218 000, as disclosed in note 17 to the consolidated and separate financial statements.

Trade and other payables

15. I was unable to obtain sufficient appropriate audit evidence for journals relating to grant pay-out transactions as included the in trade payables, due to the poor status of the accounting records. I could not confirm the trade payables by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to trade payables stated at R269 154 000 and R229 489 000 in note 22 to the consolidated and separate financial statements, respectively.
16. I was unable to obtain sufficient appropriate audit evidence for employee benefit payments, due to the poor status of the accounting records and appropriate supporting information that was not submitted. I could not confirm the employee benefit payments by alternative means. In addition, debit balances indicating receivable amounts, were incorrectly classified as employee benefit payments resulting in an understatement of employee benefit payments by R6 702 366. Consequently, I was unable to determine whether any further adjustments were necessary to employee benefits payments at R153 614 000 and R151 152 000 in note 22 to the consolidated and separate financial statements, respectively.

Property, plant and equipment

17. 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 914 374 000 in note 4 to the consolidated and separate financial statements.
18. I was unable to obtain sufficient appropriate audit evidence for machinery and equipment, furniture and fittings, motor vehicles and data processing equipment due to the poor status of the accounting records. I could not confirm machinery and equipment, furniture and fittings, motor vehicles and data processing equipment by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to those classes of property, plant and equipment stated at R148 787 000 and R145 845 000 in note 4 to the consolidated and separate financial statements, respectively.

Investment property

19. The group did not determine the fair value at measurement date in accordance with IAS 40, Investment property. The investment properties were valued at amounts that were determined at 31 March 2017. In addition, the group did not disclose the relevant fair value information in accordance with IFRS 13, Fair value measurement. Consequently, I was unable to determine whether any further adjustments were necessary to the value of investment property stated at R283 548 000 (2019: R283 548 000) as disclosed in note 5 to the consolidated and separate financial statements as it was impracticable to do so.

Intangible assets

20. I was unable to obtain sufficient appropriate audit evidence that intangible assets were properly accounted for, due to the poor status of the accounting records. I was unable to confirm the intangible assets by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to intangible assets stated at R72 813 000, in the consolidated and separate financial statements.

Retirement benefits

21. The separate entity did not disclose the retirement benefits in accordance with the requirements of IAS 19, Employee benefits, due to differences between the actuarial report and the figures reported in the note to the separate financial statements. As a result, retirement benefits disclosed in note 12 to the separate financial statements is inconsistent with the amounts reported in the separate statement of financial position as it is understated by R478 596 000 (2019: R88 680 000) for the post retirement benefit assets and R819 888 000 (2019: R355 600 000) for the post retirement obligation.

Related parties

22. The group did not disclose the related party transactions with a related party in accordance with IAS 24, Related –party disclosures. The sales to Postbank SOC Limited were not disclosed in the related parties note. As a result, the sales to the related parties disclosed in note 41 to the consolidated and separate financial statements, are un-

derstated by R201 911 000.

Comparative figures and prior period errors

23. I was unable to obtain sufficient appropriate audit evidence for the prior period errors disclosed due to supporting information that was not submitted. I was unable to confirm these disclosures by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the prior period errors disclosed in note 43 to the consolidated and separate financial statements.
24. The group also did not disclose the restatements of the corresponding amounts as required by IAS 8, Accounting policies, Changes in accounting estimates and errors. Note 43 therefore contained misstatements detailed below.

The group did not disclose the restatement of:

- Other deposits (grants) of R112 776 000, in note 43 to the consolidated and separate financial statements,
- Other operating income and operating expenses of R365 096 000,
- Deposits from the public of R70 669 000, and
- Interests & dividend income and finance expense of R9 704 000.

The following amounts were disclosed in the note but were not restated in the statement of financial position:

- Cash and cash equivalent stated at R291 152 000; and
- Trade and other payables stated at R27 612 000.

Trade and other receivables was incorrectly disclosed and the resultant impact was an overstatement by R314 316 000.

Consequently, I was further unable to determine whether any adjustments were necessary to the prior period errors disclosed in note 43 to the consolidated and separate financial statements.

Financial instrument and risk management

25. I was unable to obtain sufficient appropriate audit evidence for the financial instrument and risk management information disclosed, due to the limitations contained in the other financial assets, other receivables, cash and cash equivalents, trade and other payables, and finance lease liabilities in notes 10, 16, 17, 22, and 52, respectively. The entity did not have adequate systems of internal controls for the recording and reconciliation of those transactions to the financial statements. I also could not confirm the related financial instrument and risk management information by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the related financial instrument and risk management information, as disclosed in note 44 to the consolidated and separate financial statements.
26. The group also did not always disclose all information linked to the nature and extent of risks such as currency, liquidity, credit, interest rate and capital risks arising from financial instruments as required by IFRS 7, Financial Instruments: Disclosures. Consequently, I was further unable to determine whether any adjustments were necessary to the related financial instrument and risk management information, as disclosed in note 44 to the consolidated and separate financial statements.

Cash flow statements

27. Net cash flows from operating activities

The group did not correctly prepare and disclose the net cash flows from operating activities in accordance with IAS 7, Statement of Cash Flows. This was due to multiple errors in determining cash flows from operating activities. I was not able to determine the full extent of the errors in the net cash flows from operating activities as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments to cash flows from operating activities as stated at R1 285 521 000 and R1 293 921 000 in the consolidated and separate financial statements, respectively, were necessary.

28. Net cash flows from investing activities

The group did not correctly prepare and disclose the net cash flows from investing activities in accordance with IAS 7, Statement of Cash Flows. This was due to multiple errors in determining cash flows from investing activities. I was not able to determine the full extent of the errors in the net cash flows from investing activities as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments to cash flows from investing activities as stated at R3 300 090 000 and R3 297 110 000 in the consolidated and separate financial statements, respectively, were necessary.

29. Net cash flows from financing activities

The group did not correctly prepare and disclose the net cash flows from financing activities in accordance with IAS 7, Statement of Cash Flows. This was due to multiple errors in determining cash flows from financing activities. I was not able to determine the full extent of the errors in the net cash flows from investing activities as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments to cash flows from financing activities as stated at R82 951 000 in the consolidated and separate financial statements, was necessary.

Emphasis of matters

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

Uncertainty relating to the future outcome of litigation

31. With reference to note 40 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 R122 564 000 and R120 933 000 have been disclosed as contingent liabilities for the group and company respectively.

Irregular expenditure

32. As disclosed in note 50 to the financial statements, the group and company incurred irregular expenditure of R215 877 000 and R198 479 000, due to payments made for procurement in contravention of treasury instruction notes relating to uncompetitive bidding processes.

Responsibilities of accounting authority for the consolidated and separate financial statements

33. The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
34. In preparing the consolidated and separate financial statements, the accounting authority is responsible for assessing the public 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 public 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

35. My objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists.
36. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

Introduction and scope

37. In accordance with the Public Audit Act of South Africa 2004 (Act No. 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.
38. My procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators / measures included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures also do not extend to any disclosures or assertions relating to 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.
39. 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 objective presented in the annual performance report of the public entity for the year ended 31 March 2020:

Objectives	Pages in the annual performance report
Strategic objective 1 – Efficient Systems and processes	17–18

40. 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.
41. The material findings in respect of the usefulness and reli-

ability of the selected objective are as follows:

Strategic objective 1 – Systems and processes

Key performance indicator 1.1 – Improve the mail delivery standard to 80% by 31 March 2020

42. There was no clear and logical link between the indicator and target to improve the mail delivery standard to 80% by 31 March 2020, and the strategic objective to which it relates. The indicator and related target focused on 80% mail delivery standard, while the legislative requirements as set by ICASA, requires SAPO to achieve a target of a minimum of 92% mail delivery standard.

Key performance indicator 1.3 – Complete IT Network upgrades across all points of presence

43. The achievement of complete IT network upgrades across all points of presence was reported against target of complete IT network upgrade in the annual performance report. However, some supporting evidence provided materially differed from the reported achievement, while in other instances I was unable to obtain sufficient appropriate audit evidence. This was due to the lack of accurate and complete records. I was unable to further confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any further adjustments were required to the reported achievement.
44. Adequate systems and processes were not established to enable consistent measurement and reliable reporting of performance against the predetermined indicator definitions.

Other matter

45. I draw attention to the matter below. My disclaimer of opinion is not modified in respect of this matter.

Achievement of planned targets

46. Refer to the annual performance report on page(s) 16 to 18; 39 to 41; for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 43 to 44 of this report.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

47. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

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

Annual financial statements and annual report

49. Financial statements were not submitted for auditing within the prescribed period after the end of financial year, as required by section 55(1)(c)(i) of the PFMA.
50. 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.
51. Material misstatements of trade and other payables, trade and other receivables, operating expenses, and other operating income, identified by the auditors in the submitted financial statements were corrected and some of the supporting records were provided subsequently, but, the uncorrected material misstatements and supporting records that could not be provided for non-current assets, current assets, non-current liabilities, current liabilities, expenditure and disclosure items, resulted in the financial statements receiving a disclaimer of opinion.

Expenditure management

52. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R215 877 000 and R198 479 000 as disclosed in note 50 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 non-compliance with Treasury Instruction 3 of 2016/17 that required the public entity to procure the goods and/or services by means of competitive bidding on purchases that exceeded the threshold determined by the National Treasury for price quotations.
53. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R26 644 000 and R26 575 000 disclosed in note 48 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.

Strategic planning and performance management

54. The corporate plan submitted to the director-general of Department of Telecommunications and Postal Services designated by the executive authority did not include the affairs of the subsidiaries listed below, as required by the section 52(b) of the PFMA:

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

Procurement and contract management

55. Some of the goods, works or service were not procured through a procurement process which is fair, equitable, transparent and competitive, as required by section 51(1)(a)(iii) of the PFMA. Similar non-compliance was also reported in the prior year.
56. Some of the bid documentation for procurement of commodities designated for local content and production, did not stipulate the minimum threshold for local production and content as required by the 2017 preferential procurement regulation 8(2).
57. Some of the commodities designated for local content and production, were procured from suppliers who did not meet the prescribed minimum threshold for local production and content, as required by the 2017 preferential procurement regulation 8(5).

Consequence management

58. 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 management not providing the relevant information that is required as evidence to support the investigations into irregular expenditure. Similar non-compliances were reported in the prior year.
59. 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 management not providing the relevant information that is required as evidence to support the investigations into fruitless and wasteful expenditure.
60. 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.
61. I was unable to obtain sufficient appropriate audit evidence that allegations of theft / fraud extortion / forgery / uttering a forged document which exceeded R100 000 were reported to the SAPS, as required by section 34(1) of the Prevention and Combating of Corruption Activities Act (PRECCA).

OTHER INFORMATION

62. 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 of South Africa 2008 (Act No. 71 of 2008) (Companies Act). The other information does not include the consolidated 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.
63. My disclaimer of opinion on the 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 thereon.
64. 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 objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
65. I did not receive the other information prior to the date of this auditor's report. After I receive and read this information, and if I conclude that there is a material misstatement, 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

66. 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 find-

ings on the annual performance report and the findings on compliance with legislation included in this report.

67. The leadership and management of the entity did not adequately prepare for the separation of the Postbank, in order to enable and support the effective understanding and execution of internal control objectives, processes and responsibilities. No effective processes and internal controls were implemented to ensure the effective transfer of all assets and liabilities affected by the separation of the Postbank. This resulted in significant differences of financial information disclosed in the financial statements as well as delays in submission of related supporting information.
68. Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support credible financial and performance reporting. This resulted in significant delays in submission of information impacting the audit process and ultimately the audit outcome.
69. Regular reconciliations of key financial components and assessment of financial viability were not always adequately prepared during the year, necessitating many manual reconciliations being conducted at year-end and inadequate cash flow forecasts. The use of manual reconciliations coupled with a lack of assurance processes not implemented in time to ensure that information was accurate and complete, resulted in a number of limitations and errors being experienced and identified.
70. 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.
71. 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.
72. Management did not ensure that the controlling entity has sufficient capacity to plan, manage and report on its financial and performance management.

MATERIAL IRREGULARITIES

Material irregularities identified during the audit

73. The material irregularities identified are as follows:
74. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit.

Penalties and interest' incurred on late payment of PAYE to South African Revenue Services (SARS)

75. The SAPO SOC Limited failed to pay the amount deducted and withheld from employees for the month of December 2019 by the 7th of January 2020 as required by paragraph 2(1) of the Fourth (4th) Schedule (Part 2) of the South African Income Tax Act. The entity paid SARS on 08 January 2020. This resulted in a penalty and interest at the prescribed rate, amounting to R2 928 526 that were paid to SARS on 10 January 2020.
76. The non-compliance has resulted in a material financial loss of R2 928 526 as disclosed in note 48 to the consolidated and separate financial statements, in the form of penalty and interest paid to SARS. The financial loss cannot be recovered from any third party.
77. The accounting authority was notified of the material irregularity on 26 August 2020 and invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting authority responded by providing evidence of an investigation that was conducted and concluded on 05 May 2020. The investigation concluded that the entity did not have the funds to make the payment on time and no person(s) was identified to be responsible. The investigation further found that there was no breakdown in controls, and that the unavailability of funds was the main root cause. In addition, the entity applied for a remission to have SARS waive the interest and penalty paid from SARS, this has not been granted as confirmed in a letter received on the 16th October 2020 from SARS. The material irregularity is resolved.

Penalties and interest' incurred on late payment of VAT to South African Revenue Services (SARS)

78. The SAPO SOC Limited failed to pay the VAT payable for the month of December 2019 and January 2020 by the 31st of January 2020 and 29th of February 2020, respectively, as required by Section 28 (1) of the Value Added Tax Act (VAT). The entity paid SARS on 03 February 2020 and 02 March 2020, respectively. This resulted in a penalty and interest at the prescribed rate, amounting to R4 062 266 and R338 387, respectively, that were paid to SARS on 04 February 2020 for the December VAT payable. An additional penalty and interest at the prescribed rate, amounting to R3 967 282 and R330 475 respectively, were paid to SARS on 04 March 2020, for the January VAT payable.
79. The non-compliance has resulted in a material financial

loss of R8 698 409 as disclosed in note 48 in the form of penalty and interest paid to SARS. The financial loss cannot be recovered from any third party.

80. The accounting authority was notified of the material irregularity on 26 August 2020 and invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting authority responded by providing evidence on an investigation that was conducted and concluded on 05 May 2020. The investigation concluded that the entity did not have the funds to make the payment on time and no person(s) was identified to be responsible. The investigation further found that there was no breakdown in controls, and that the unavailability of funds was the main root cause. In addition, the entity applied for a remission to have SARS waive the interest and penalty paid from SARS, this has not been granted as confirmed in a letter received on the 16th October 2020 from SARS. The material irregularity is resolved.

Material irregularities in progress

81. I identified material irregularities during the audit and notified the accounting authority thereof as required by material irregularity regulation 3(2). By the date of this auditor's report, I had not yet completed the process of evaluating the response from the accounting authority. These material irregularities will be included in the next year's auditor's report.

Auditor-General

Pretoria
30 March 2021

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Director's Responsibility and Approval

We as the directors are required by the Companies Act 2008 to keep accurate and complete accounting records as necessary to enable the Company to satisfy its obligations in terms of Companies Act 2008 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 2008, 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 us.

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

Lenny Govender, Acting CFO

Pretoria 31/October/2020

Tia van der Sandt, Acting Chairperson

Audit Committee Report

The Audit Committee hereby presents its report for the financial year ended 31 March 2020, 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 of this document.

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 of this document.

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 year 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 Post Office 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 Post Office. 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 environments and the residual risk rating of the organisation to achieve the latter objectives is high and by implication in means that Post Office Management team have a way to go to resolve some significant matters in order to improve the control environment and audit outcomes. The Committee remains concerned about the internal control weakness reported and judging by the number of repeat findings and findings where the audit opinion regressed from the previous financial year, management's efforts and responsibility concerning the control environment is unsatisfactory. It is therefore that the Committee strongly recommended that Management improve processes to resolve material and other findings effectively and efficiently and essentially, this is the only effort that will ensure an improved control environment. The Committee will closely monitor the efforts in this regard.

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 and will have to be managed within the current limitations and monitored regularly. Critical vacancies continue to undermine the effective functioning of the system of internal control and it is imperative that management review its recruitment procedures and processes to ensure that vacancies are filled in a timely manner. In particular, recruitment of appropriate skills and competencies within Finance and Accounting remain a concern and should be addressed to maintain the sustainability of the internal control framework. Leadership gaps are severely impacting the effectiveness, the efficiency of the organisation, as well as the overall quality of governance.

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.

Assurance by the Audit Committee

The Audit and Risk Committee as well as the Board of the South African Post Office has taken note of the adverse Opinion of the Auditor-General, and hereby wish to convey to the

reader that Government through the Shareholder, the Minister of Communications and Digital Technologies has expressed political support for the statutory mandate of the Post Office including its expanded mandate in terms of payment of social grants. There is an acknowledgment from Government that the Post Office would require financial support, based on a solid and investable turnaround plan due to the separation of the Postbank without compensation, and resultantly the alienation of a significant asset from the Post Office Balance Sheet. However, the Shareholder has further enhanced this political support with the provision of a team of experts at Shareholder cost who would assist in the development of the restructuring and turnaround plan for the organisation. The Audit Committee and the Board is confident that given this significant support, coupled with a restructuring plan would place SA Post Office on a route to defining a new future.

Although post the reporting period, the Audit Committee and the Board is encouraged by the steady progress of filling of executive vacancies, with the recent appointment of a SA Post Office CEO, progress with the head-hunting of a permanent CFO as well as the capacitating of the finance section.

Lastly, the Committee registers their concern over weak systems and insufficient internal control. The Post Office Board have since taken some resolutions to address key control inefficiencies. This matter will be closely monitored for action and improvement.

Nolitha Pietersen, Chairperson of the Audit Committee

Director's Report

The Board has pleasure in submitting his 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 2020.

1. Incorporation

The Company was incorporated on 01 October 1991 and obtained its certificate to commence business on the same day.

2. Holding company

The Group's holding Company is South African Post Office SOC Ltd (SA Post Office) and the shareholder holds 100% (2019: 100%) of the Group's equity shares. The SA Post Office is incorporated in the Republic South Africa.

3. Ultimate holding entity

The Group's ultimate holding entity is the South African Government which is represented by the Department of communications 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 conduct the business of a bank that will encourage and attract savings amongst the people of the Republic of South Africa in accordance with the Postbank Act No. 9 of 2010 (as amended) and the relevant sections of the Postal Services Act No. 124 of 1998.
- 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 operating divisions: 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

The directors in office at the date of this report are as follows:

Directors	Office	Designation	Changes
Colleen Makhubele	Chairperson	Non-executive	–
Tia van der Sandt	Deputy Chairperson	Non-executive	–
Sontaga Manthlakga	Member	Non-executive	–
Nondumiso Ngonyama	Member	Non-executive	–
Sipho Nkese	Member	Non-executive	–
Albert Ramoadi	Member	Non-executive	–
Refilwe Kekana	Acting Chief Operations Officer	Executive	Appointed: GCIO - 6 May 2019, Acting GCOO: 21 Feb - 31 Jul 2020
Ivumile Nongogo	Acting Chief Executive Officer	Executive	Acting GCEO: 4 Dec 2019 - 31 July 2020
Lindiwe Kwele	Chief Operations Officer	Executive	Appointed GCOO: 5 June 2017, Acting GCEO: 1 Aug 2019 - 3 Dec 2019
Lenny Govender	Acting Chief Financial Officer	Executive	Acting GCFO: 1 June 2020
Jabulani Dlamuka	Acting Chief Financial Officer	Executive	Acting GCFO: 1 June 2018 - 29 Feb 2020
Zukiswa Ntsikeni	Acting Chief Operating Officer	Executive	Appointed GE: Operations: 1 April 2019, Acting COO: 1 Aug 2019 - 21 Feb 2020
Phehello Tsotetsi	Acting Chief Financial Officer	Executive	1 March to 8 May 2020

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. Secretary

The Company secretary is Mr Dawood Dada.

Postal address: PO Box 10000, Pretoria, 0001
Business address: NPC Building
497 Sophie de Bruyn Street cnr
Jeff Masemola Street
Pretoria 0002

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 71 of 2008.

The accounting policies have been applied consistently compared to the prior year, except for the adoption of new or revised accounting standards as set out in note 3.

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 2020 of R1,789 billion (2019: R1,099 billion) and a net asset value of R3,922 billion (2019: R5,186 billion)

Group revenue decreased by 24% from R5,437 billion in the prior year to R4,155 billion for the year ended 31 March 2020. 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 51.9% 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 2020 the Group's investment property and plant and equipment amounted to R2,616 billion (2019: R2,535 billion), of which R42 million (2019: R183 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 R11 million (2019: R60 million).

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 may consider a special dividend, where appropriate. Depending on the perceived need to retain funds for expansion or operating purposes, the board of directors may pass on the payment of dividends. Given the current constrained cash flows of the Company, the board of directors has not declared a dividend by the SA Post Office during the financial year ended March 31, 2020 (2019: 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 and 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 fruitless and wasteful expenditure for the Group has been investigated as at 31 March, 2020 resulting in an accumulated balance of R394 million of fruitless and wasteful expenditure (2019: R368 million). Refer to note 47 for more detail.

All identified irregular expenditure for the Group has been investigated as at 31 March, 2020 resulting in an accumulated value of R1,448 billion of irregular expenditure (2019: R1,232 billion). Refer to note 49 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 director is not aware of any material event which occurred after the reporting date and up to the date of this report.

16. Going concern

SA Post Office, as a state company, plays a strategic role in the provision of essential goods and services. The activities of SA Post Office impact on the quality, accessibility and affordability of services provided to the community, especially the poor and vulnerable.

In determining the appropriate basis of preparation of the financial statement, management are required to consider whether the group will continue to operate in the foreseeable future.

The 2019/20 financial year saw the group showing positive liquidity and solvency ratio (excluding Postbank). The group continues to show negative results from operation with the loss as at 31 March 2020 of R1,8 billion. Notwithstanding the loss from operation the group financial statement for the 2019/20 financial year were prepared on a going concern basis due to the following:

- During the financial year, the Department of Communications and Digital Technologies and National Treasury approved the funding for the Universal Service Obligation/ Public Service Mandate amounting to R1.5 billion over the MTEF
- There continues to be adequate support from the shareholder.

The directors believe that, the company will have adequate financial resources to continue in operation for the foreseeable future, and accordingly, the annual financial statements have been prepared on a going concern basis.

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 40 for more details regarding these.

Except for those mentioned in note 40: Litigation, 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 Communications and Digital Technologies has gazetted the incorporation of Post Bank SOC Ltd as separate state owned entity reporting to the South African Post Office SOC Ltd with effect from 01 April 2019. Prior to this decision, Post Bank was a division of SA Post Office.

The South African Postbank SOC Limited Company has been registered, with the first Postbank board of directors appointed.

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 Monday, 15 March 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 2020

		Group			Company		
		2020	2019 Restated*	2018 Restated*	2020	2019 Restated*	2018 Restated*
	Note(s)	R '000	R '000	R '000	R '000	R '000	R '000
Assets							
Non-Current Assets							
Property, plant and equipment	4	2 098 159	2 251 729	2 266 035	2 093 694	2 246 871	2 260 347
Investment property	5	283 548	283 548	280 202	195 493	195 493	192 147
Heritage assets	6	46 247	46 247	46 247	46 247	46 247	46 247
Intangible assets	7	72 813	155 648	122 922	72 813	155 648	122 922
Investments in subsidiaries	8	-	-	-	31 933	31 933	31 933
Intergroup Loans and Receivables	9	2 651	-	-	2 785	4 625	3 346
Other financial assets	10	4 347 105	855 940	860 746	4 347 105	855 940	860 746
Operating lease asset	11	7 788	5 958	4 202	7 593	5 817	4 052
Retirement benefit asset	12	42 411	38 756	35 551	42 411	38 756	35 551
Deferred tax	13	1 507	303	338	-	-	-
Right-of-use assets	52	643 430	-	-	643 430	-	-
		7 545 659	**3 638 129**	**3 616 243**	**7 483 504**	**3 581 330**	**3 557 291**
Current Assets							
Inventories	15	79 218	63 290	61 499	79 090	62 960	61 313
Trade and other receivables	16	1 290 578	1 599 072	471 567	1 283 723	1 589 115	454 879
Cash and cash equivalents	17	1 809 447	6 186 856	3 241 211	1 784 551	6 167 380	3 229 765
Other financial assets	10	337 472	4 466 782	6 068 460	337 472	4 466 782	6 058 660
Operating lease asset	11	1 642	591	293	2 002	522	274
Prepayments	14	2 376	2 761	10 194	2 376	2 761	10 194
Current tax receivable		242	31	-	-	-	-
		3 520 975	**12 319 382**	**9 853 224**	**3 489 214**	**12 289 520**	**9 815 085**
Total Assets		**11 066 634**	**15 957 512**	**13 469 467**	**10 972 718**	**15 870 850**	**13 372 376**
Equity and Liabilities							
Equity							
Share capital	18	8 164 116	8 164 116	5 217 116	8 164 116	8 164 116	5 217 116
Reserves		1 641 060	1 641 073	1 630 836	1 569 466	1 569 466	1 559 229
Retained income		(6 133 859)	(4 618 792)	(3 433 154)	(6 073 041)	(4 549 263)	(3 352 767)
		3 671 317	**5 186 397**	**3 414 798**	**3 660 541**	**5 184 319**	**3 423 578**

Statement of Financial Position as at 31 March 2020

		Group			Company		
		2020	2019 Restated*	2018 Restated*	2020	2019 Restated*	2018 Restated*
	Note(s)	R '000	R '000	R '000	R '000	R '000	R '000
Liabilities							
Non-Current Liabilities							
Financial liabilities at amortised cost	20	275 014	275 014	-	275 014	275 014	-
Loans from group companies		394	-	-	332	-	-
Operating lease liability	11	-	40 705	41 088	-	40 344	40 808
Retirement benefit obligation	12	917 716	1 233 804	1 272 143	917 716	1 233 804	1 272 143
Deferred tax	13	18 586	18 807	18 567	-	-	-
Provisions	21	303 107	294 278	311 008	299 393	290 485	307 396
Borrowings	51	196 127	-	-	196 127	-	-
Finance lease liabilities	52	667 433	-	-	667 433	-	-
		2 378 377	**1 862 608**	**1 642 806**	**2 356 015**	**1 839 647**	**1 620 347**
Current Liabilities							
Trade and other payables	22	3 912 852	1 586 903	1 442 900	3 861 666	1 533 404	1 368 376
Financial liabilities at amortised cost	20	71 481	126 468	-	71 481	126 468	-
Operating lease liability	11	87	2 930	4 155	-	2 843	4 079
Retirement benefit obligation	12	154 048	173 117	155 229	154 048	173 117	155 229
Deferred income	23	169 540	178 944	212 734	162 780	173 139	206 960
Current tax payable		-	-	438	-	-	-
Provisions	21	297 609	264 785	373 097	294 864	262 553	370 497
Other deposits (grants)	24	-	508 843	-	-	508 843	-
Deposits from the public	25	-	5 150 268	5 101 288	-	5 150 268	5 101 285
Funds collected on behalf of third parties	26	177 084	532 265	299 363	177 084	532 265	299 363
Government grants	27	234 239	383 984	422 357	234 239	383 984	422 357
Financial liabilities at fair value		-	-	400 305	-	-	400 305
		5 016 940	**8 908 507**	**8 411 863**	**4 956 162**	**8 846 884**	**8 328 451**
Total Liabilities		**7 395 317**	**10 771 115**	**7 312 177**	**7 312 177**	**10 686 531**	**9 948 798**
Total Equity and Liabilities		**11 066 634**	**15 957 512**	**13 469 467**	**10 972 718**	**15 870 850**	**13 372 376**

Statement of Profit or Loss and Other Comprehensive Income

			Group		Company
		2020	2019 Restated*	2020	2019 Restated*
	Note(s)	R '000	R '000	R '000	R '000
Revenue	28	4 102 408	5 315 179	4 064 095	5 272 968
Other operating income	29	733 854	223 846	731 188	220 974
Operating expenses	30	(2 027 483)	(2 574 670)	(2 016 340)	(2 573 402)
Employee costs	31	(3 891 315)	(3 755 608)	(3 870 496)	(3 736 307)
Transport costs		(266 467)	(276 741)	(258 190)	(272 430)
Total depreciation, amortisation and impairments	32	(290 595)	(179 955)	(289 841)	(179 117)
Operating loss	**30**	**(1 639 598)**	**(1 247 949)**	**(1 639 584)**	**(1 267 314)**
Interest and dividend income	33	753 286	843 080	752 287	841 521
Finance expense	34	(799 569)	(876 731)	(799 510)	(874 429)
Other non-operating income		-	138 352	-	138 352
Fair value adjustments	35	(82 951)	43 969	(82 951)	43 969
Loss before taxation		**(1 768 832)**	**(1 099 279)**	**(1 769 758)**	**(1 117 901)**
Income tax expense	36	627	(425)	-	-
Loss for the year		**(1 768 205)**	**(1 099 704)**	**(1 769 758)**	**(1 117 901)**
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Remeasurements on net defined benefit liability/asset		216 602	(82 097)	216 602	(82 647)
Gains on property revaluation		-	-	-	-
Total items that will not be reclassified to profit or loss		**216 602**	**(82 097)**	**216 602**	**(82 647)**
Items that may be reclassified to profit or loss:					
Gain on other financial assets adjustments		3 841	10 237	3 841	10 237
Other comprehensive income (loss) for the year net of taxation		**220 443**	**(71 860)**	**220 443**	**(72 410)**
Total comprehensive loss for the year		**(1 547 762)**	**(1 171 564)**	**(1 549 315)**	**(1 190 311)**

Statement of Changes in Equity

	Issued share capital	Revaluation reserve	Other comprehensive income reserve	Total reserves	Retained income	Total equity
	R '000	R '000	(OCI) R '000	R '000	R '000	R '000
Group						
Balance at 01 April 2018 *Restated	**5 217 116**	**1 535 862**	**94 974**	**1 630 836**	**(3 436 991)**	**3 410 961**
Loss for the year	-	-	-	-	(1 099 704)	(1 099 704)
Other comprehensive income for the year	-	-	10 237	10 237	(82 097)	(71 860)
Issue of shares	2 947 000	-	-	-	-	2 947 000
Balance at 01 April 2019	**8 164 116**	**1 535 862**	**105 211**	**1 641 073**	**(4 582 256)**	**5 222 933**
Loss for the year	-	-	-	-	(1 768 205)	(1 768 205)
Other comprehensive income for the year	-	-	-	-	216 602	216 602
Balance at 31 March 2020	**8 164 116**	**1 535 862**	**105 211**	**1 641 060**	**(6 133 859)**	**3 671 317**
Note(s)	18					
Company						
Balance at 01 April 2018 *Restated	**5 217 116**	**1 464 255**	**94 974**	**1 559 229**	**(3 348 715)**	**3 427 630**
Loss for the year	-	-	-	-	(1 117 901)	(1 117 901)
Other comprehensive income for the year	-	-	10 237	10 237	(82 647)	(72 410)
Issue of shares	**2 947 000**	**-**	**-**	**-**	**-**	**2 947 000**
Balance at 01 April 2019	**8 164 116**	**1 464 255**	**105 211**	**1 569 466**	**(4 519 885)**	**5 213 697**
Loss for the year	-	-	-	-	(1 769 758)	(1 769 758)
Other comprehensive income for the year	-	-	-	-	216 602	216 602
Balance at 31 March 2020	**8 164 116**	**1 464 255**	**105 211**	**1 569 466**	**(6 073 041)**	**3 660 541**
Note(s)	18					

The accounting policies on pages 73 to 92 and the notes from page 93 form an integral part of the separate and consolidated financial statements.

Statement of Cash Flows

		Group		Company	
		2020	2019 Restated*	2020	2019 Restated*
	Note(s)	R '000	R '000	R '000	R '000
Cash flows from operating activities					
Cash used in operations	37	(733 898)	(1 104 446)	(733 898)	(1 103 513)
Interest and dividend income		32 659	228 318	32 659	226 833
Finance costs		(14 542)	(161 400)	(14 542)	(159 264)
Tax paid	38	(606)	(619)	-	-
Net cash from operating activities		**(716 387)**	**(1 038 147)**	**(715 781)**	**(1 035 944)**
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(41 734)	(115 961)	(41 734)	(115 961)
Purchase of investment property	5	-	(3 004)	-	(3 004)
Purchase of other intangible assets	7	-	(66 946)	-	(66 946)
Loans advanced to group companies		(2 651)	-	-	-
(Increase) decrease in financial assets		(3 122 529)	1 221 526	(3 131 535)	1 212 572
Sale of other asset		2 731	-	3 060	-
Dividends received		16	-	16	-
Net cash from investing activities		**(3 164 167)**	**1 035 615**	**(3 170 193)**	**1 026 661**
Cash flows from financing activities					
Proceeds from equity injection	18	-	2 947 000	-	2 947 000
Proceeds from advance payment		-	401 482	-	401 482
Repayment of term loan		-	(1 035 305)	-	(1 035 305)
Proceeds from term loan		-	635 000	-	635 000
(Increase) decrease in intergroup loans		-	-	-	(1 279)
Repayment of financial liabilities at fair value through profit (loss)		(82 951)	-	(82 951)	-
Movement in liability 2		1 166 124	-	1 166 124	-
Movement in liability 3		(1 568 131)	-	(1 568 131)	-
Net cash from financing activities		**(496 855)**	**2 948 177**	**(496 855)**	**2 946 898**
Total cash movement for the year		**(4 377 409)**	**2 945 645**	**(4 382 829)**	**2 937 615**
Cash at the beginning of the year		6 186 856	3 241 211	6 167 380	3 229 765
Total cash at end of the year	**17**	**1 809 447**	**6 186 856**	**1 784 551**	**6 167 380**

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 South African Companies Act No 71 of 2008.

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 2020.

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 71 of 2008 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, except for the changes set out in note 2.

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
- 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

Notes to the Consolidated Financial Statements – Accounting Policies

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 leasing transactions that are within the scope of IAS 17, and 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:

1. Assets, as an asset that is:
   a. Expected to be realised in, or is intended for sale or consumption in, the entity's normal operating cycle;
   b. Held primarily for the purpose of being traded;
   c. Expected to be realised within 12 months after the reporting period; or
   d. 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;

2. Liabilities, as a liability that:
   a. Is expected to be settled in the entity's normal operating cycle;
   b. Is held primarily for the purpose of being traded;
   c. Is due to be settled within 12 months after the reporting period; or
   d. 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 com-

Notes to the Consolidated Financial Statements - Accounting Policies

bination 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 are 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 acquisition is inappropriate for group purposes. This excludes lease agreements and insurance contracts, whose

Classification remains as per their inception date.

Non-controlling interests in the acquires are measured on an acquisition-by-acquisition basis either at fair value or at the non-controlling interests' proportionate share in the recognised amounts of the acquirees's identifiable net assets, This treatment applies to non-controlling interests which are present ownership interests, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other components of non-controlling interests are measured at their acquisition date fair values, unless another measurement basis is required by IFRS's.

In cases where the group held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in profit or loss for the year. Where the existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments recognised previously to other comprehensive income and accumulated in equity are recognised in profit or loss as a reclassification adjustment.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquires. If, in the case of a bargain purchase, the result of this formula is negative, then the difference is recognised directly in profit or loss.

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

Goodwill arising on acquisition of foreign entities is considered an asset of the foreign entity. In such cases the goodwill is translated to the functional currency of the group at the end of each reporting period with the adjustment recognised in equity through to other comprehensive income.

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 judgment 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 judgments include:

Trade receivables, Held to maturity investments and Loans and receivables

The Group assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgments 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, held to maturity investments 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.

Notes to the Consolidated Financial Statements – Accounting Policies

Financial assets through other comprehensive income (OCI)

The Group follows the guidance of IFRS 9 to determine when financial asset is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Allowance for slow moving, damaged and obsolete stock

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 4 and 5 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)

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, e.g. sale or use. This manner of recovery affects the rate used to determine the deferred tax liability.

Notes to the Consolidated Financial Statements - Accounting Policies

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.

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

Notes to the Consolidated Financial Statements – Accounting Policies

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 e.g. 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 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 de-recognised 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 de-recognised.

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 enter-

Notes to the Consolidated Financial Statements - Accounting Policies

prise, 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 de-recognised.

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 de-recognised 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 de-recognition.

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 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.

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.

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 de-recognised.

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

Notes to the Consolidated Financial Statements – Accounting Policies

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.

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, 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. The Company does not have 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

Notes to the Consolidated Financial Statements - Accounting Policies

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
Licenses	1 - 3 years
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:

- 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.

1.10 Financial instruments

Loans receivable at amortised cost

Classification

Loans to group companies are classified as financial assets 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.

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

1.11 Financial instruments

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
- Mandatorily at fair value through profit or loss. (This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income); or

Notes to the Consolidated Financial Statements – Accounting Policies

Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

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
- Designated at fair value through profit or loss. (This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

Note 44 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, 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.

Financial instruments: IFRS 9 comparatives (continues)

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 the below paragraphs of this note.

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

These include loans to and from holding companies, fellow subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Notes to the Consolidated Financial Statements - Accounting Policies

Loans to group companies are classified as loans and receivables.

Loans from group companies are classified as financial liabilities measured at amortised cost.

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT 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 payable, excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

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 44 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 convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.12 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).

Notes to the Consolidated Financial Statements – Accounting Policies

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.

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.

1.13 Leases: Policy After 1 April 2019

The group assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is identified, which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the group has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

Group as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the group is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the group recognises the lease payments as an operating expense (note 30) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

However as an exception to the preceding paragraph, the group has elected not to separate the non-lease components for leases of land and buildings.

Notes to the Consolidated Financial Statements - Accounting Policies

Details of leasing arrangements where the group is a lessee are presented in note 52, Leases (group as lessee).

Lease liability

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed lease payments, including in-substance fixed payments, less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the group under residual value guarantees;
- The exercise price of purchase options, if the group is reasonably certain to exercise the option;
- Lease payments in an optional renewal period if the group is reasonably certain to exercise an extension option; and
- Penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of- use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses (note 30).

The lease liability is presented within borrowings on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs (note 34).

The group re-measures the lease liability, when applicable, in accordance with the following table:

Lease liability re-measurement scenario	Lease liability re-measurement methodology
Change to the lease term.	▪ Discounting the revised lease payments using a revised discount rate.
Change in the assessment of whether the group will exercise a purchase, termination or extension option.	▪ Discounting the revised lease payments using a revised discount rate.
Change to the lease payments as a result of a change in an index or a rate.	▪ Discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
Change in expected payment under a residual value guarantee.	▪ Discounting the revised lease payments using the initial discount rate.
Lease contract has been modified and the lease modification is not accounted for as a separate lease.	▪ Discounting the revised payments using a revised discount rate.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right- of-use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of-use assets

- Lease payments included in the measurement of the lease liability comprise the following:
- The initial amount of the corresponding lease liability;
- Any lease payments made at or before the commencement date;
- Any initial direct costs incurred;
- Any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the group incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- Less any lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

Notes to the Consolidated Financial Statements – Accounting Policies

For right-of-use assets which are depreciated over their useful lives, the useful lives are presented in the following table:

Item	Depreciation method	Average useful life
Buildings	Straight line	Lease Term
Motor vehicles	Straight line	Lease Term

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 a right-of-use asset with a cost that is significant in relation to the total cost of the asset 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.

1.14 Leases: Policy before 1 April 2019

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

Operating leases - lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This asset is not discounted.

1.15 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.

1.16 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.

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

Notes to the Consolidated Financial Statements - Accounting Policies

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.

1.17 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.

1.18 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.

1.19 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

A defined contribution plan is a pension plan under which the Group pays fixed contributions. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions are recognised as an expense as incurred.

Defined benefit plans

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. Defined benefit schemes are funded through payments to trustee-administered funds, determined by periodic actuarial calculations.

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.

Re-measurements 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 in the period in which they arise.

Notes to the Consolidated Financial Statements – Accounting Policies

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 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.

1.20 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.

1.21 Government grants

Government grants are recognised when there is reasonable assurance that:

- The group will comply with the conditions attaching to them; and
- The grants will be received.

These are included in subsidy received in advance until they are utilised.

Government grants are recognised as income over the periods necessary to match them 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.

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1.22 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.

1.23 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:

- 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 contrained) that is allocated to that performance obligation.

Bulk mail revenue

Bulk-mail is a mail sorting and delivery service offered to cus-

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tomers 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 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 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 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

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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 Post Office provides the PAMSS (Client) with the certification to confirm that address quality checks were performed.

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 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.

Notes to the Consolidated Financial Statements

2. Changes in accounting policy

The separate and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards - IFRS 16 Leases.

IFRS 16 The Group initially applied IFRS 16 Leases from 1 April 2019. A number of other new standards are also effective from 1 April 2019 but they do not have a material effect on the group's financial statements. The Group applied IFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2019 is not restated and is reported under IAS 17 and related interpretations.

Transitional approach

On adoption of IFRS 16, the group has elected to apply the standard using the modified retrospective approach, thus recognising the right of use asset at an amount equal to its lease liability.

The following practical expedients as permitted by the standard were applied by the group:

- The group has elected no to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.
- Apply a single discount rate to a portfolio of leases with similar characteristics.
- The group has elected not to reassess whether a contract contains a lease at initial application date.
- Account for leases with less than 12 months remaining in the same manner as short term leases.
- Exclude initial direct costs from the measurement of right of use assets.
- The group has also elected to use hindsight for determination of lease term.

3. New Standards and Interpretations

3.1 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 2020 or later periods but are not relevant to its operations:

Standard or amendments	Effective date	Impact
Definition of Material (IAS 1 and IAS 8 amendments)On 31 October 2018, the IASB issued 'Definition of Material (Amendments to IAS 1 and IAS 8)' to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves.	2020/01/01	Limited to no impact on group
Definition of a business (IFRS 3 amendments) On 22 October 2018, the IASB issued 'Definition of a Business (Amendments to IFRS 3)' aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. The new amendment of IFRS 3 changed only the Appendix A with Defined terms, the application guidance and the illustrative examples – thus no changes in the standard's articles itself. The changes clarify the requirements for the acquisition to be a business and add guidance and illustrative examples.	2020/01/01	Limited to no impact on group
IFRS 17 Insurance Contracts The new standard requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts and related interpretations	2021/01/01	Expected to have limited to no impact as it might not be applicable to the group – assessment in progress.

Notes to the Consolidated Financial Statements

4. Property, plant and equipment

Group R'000	2020			2019		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land	609 045	-	609 045	609 065	-	609 065
Buildings	1 482 775	(177 446)	1 305 329	1 467 663	(119 355)	1 348 308
Machinery and equipment	386 137	(334 759)	51 378	388 994	(330 113)	58 881
Furniture and fittings	60 617	(43 982)	16 635	61 644	(43 202)	18 442
Motor vehicles	76 655	(34 304)	42 351	54 346	(30 972)	23 374
Data processing equipment	442 604	(404 181)	38 423	559 982	(414 749)	145 233
Leasehold improvements	305 661	(294 716)	10 945	344 051	(322 411)	21 640
Site restoration	112 701	(91 369)	21 332	74 854	(50 788)	24 066
Assets under construction	2 721	-	2 721	2 720	-	2 720
Total	**3 478 916**	**(1 380 757)**	**2 098 159**	**3 563 319**	**(1 311 590)**	**2 251 729**

Company R'000	2020			2019		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land	609 045	-	609 045	609 065	-	609 065
Buildings	1 482 775	(177 446)	1 305 329	1 467 663	(119 355)	1 348 308
Machinery and equipment	360 586	(309 320)	51 266	363 443	(304 737)	58 706
Furniture and fittings	57 977	(41 373)	16 604	59 004	(40 605)	18 399
Motor vehicles	55 632	(15 537)	40 095	33 323	(12 205)	21 118
Data processing equipment	429 409	(391 529)	37 880	546 796	(402 422)	144 374
Leasehold improvements	305 069	(294 127)	10 942	343 459	(321 824)	21 635
Assets under construction	2 721	-	2 721	2 720	-	2 720
Site restoration	112 701	(92 889)	19 812	73 334	(50 788)	22 546
Total	**3 415 915**	**(1 322 221)**	**2 093 694**	**3 498 807**	**(1 251 936)**	**2 246 871**

Notes to the Consolidated Financial Statements

Reconciliation of property, plant and equipment - Group - 2020

	Opening balance	Additions	Transfers through business combina-tions	Transfers	Change in estimate	Deprecia-tion	Total
Land	609 065	-	-	-	-	-	609 045
Buildings	1 348 308	9 613	-	-	-	(52 592)	1 305 329
Machinery and equipment	58 881	8 511	-	(4 092)	(236)	(11 686)	51 378
Furniture and fittings	18 442	574	(41)	-	-	(2 340)	16 635
Motor vehicles	23 374	22 309	-	-	-	(3 332)	42 351
Data processing equipment	145 233	469	(73 551)	(7 339)	-	(26 389)	38 423
Leasehold improvements	21 640	505	(6 832)	2 425	-	(6 793)	10 945
Assets under construction	2 720	-	-	1	-	-	2 721
Site restoration	24 066	-	-	-	-	(2 734)	21 332
	2 251 729	**41 981**	**(80 424)**	**(9 005)**	**(236)**	**(105866)**	**2 098 159**

Reconciliation of property, plant and equipment - Group - 2019

	Opening balance	Additions	Retirements	Transfers	Change in estimate	Depreciation	Total
Land	609 064	-	-	-	-	-	609 065
Buildings	1 391 364	7 254	-	(342)	-	(49 968)	1 348 308
Machinery and equipment	58 891	11 475	(169)	-	437	(11 753)	58 881
Furniture and Fittings	19 558	987	(32)	-	-	(2 071)	18 442
Motor vehicles	25 264	-	(43)	-	-	(1 847)	23 374
Data processing equipment	94 338	88 173	(239)	-	2 883	(39 922)	145 233
Leasehold improvements	28 868	-	(241)	-	581	(7 568)	21 640
Assets under construction	2 616	105	-	-	(1)	-	2 720
Site restoration	36 072	72 023	(14 124)	-	(11 245)	(58 660)	24 066
	2 266 035	**180 017**	**(14 848)**	**(342)**	**(7 345)**	**(171 789)**	**2 251 729**

Notes to the Consolidated Financial Statements

Reconciliation of property, plant and equipment - Company - 2020

	Opening balance	Additions	Movements through business combinations	Transfers	Change in estimate	Depreciation	Total
Land	609 065	-	-	-	-	-	609 045
Buildings	1 348 308	9 617	-	(4)	-	(52 592)	1 305 329
Machinery and equipment	58 706	8 511	-	(4 092)	(173)	(11 686)	51 266
Furniture and fittings	18 399	323	-	-	-	(2 118)	16 604
Motor vehicles	21 118	22 309	-	-	-	(3 332)	40 095
Data processing equipment	144 374	469	(73 235)	(7 339)	-	(26 389)	37 880
Leasehold improvements	21 635	505	(2 288)	(2 113)	-	(6 797)	10 942
Assets under construction	2 720	-	-	-	1	-	2 721
Site restoration	22 546	-	-	-	-	(2 734)	19 812
	2 246 871	**41 734**	**(75 523)**	**(13 548)**	**(172)**	**(105 648)**	**2 093 694**

Reconciliation of property, plant and equipment - Company - 2019

	Opening balance	Additions	Retirements	Transfers	Change in estimate	Depreciation	Total
Land	609 064	-	-	-	-	-	609 065
Buildings	1 391 364	7 254	-	(342)	-	(49 968)	1 348 308
Machinery and equipment	58 591	11 475	(168)	-	437	(11 629)	58 706
Furniture and fittings	19 492	987	(32)	-	-	(2 048)	18 399
Motor vehicles	22 963	-	-	-	-	(1 845)	21 118
Data processing equipment	92 924	88 041	(239)	-	2 883	(39 235)	144 374
Leasehold improvements	28 860	-	(241)	-	582	(7 566)	21 635
Assets under construction	2 616	105	-	-	(1)	-	2 720
Site restoration	34 473	72 023	(14 124)	-	(11 166)	(58 660)	22 546
	2 260 347	**179 885**	**(14 804)**	**(342)**	**(7 265)**	**(170 951)**	**2 246 871**

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 Consolidated Financial Statements

5. Investment property

Group	2020			2019		
	Cost / Valuation	Movement	Carrying value	Cost / Valuation	Movement	Carrying value
Investment property	283 548	-	283 548	283 548	-	283 548

Company	2020			2019		
	Cost / Valuation	Movement	Carrying value	Cost / Valuation	Movement	Carrying value
Investment property	195 493	-	195 493	195 493	-	195 493

Reconciliation of investment property - Group - 2020

	Opening balance	Total
Investment property	**283 548**	**283 548**

Reconciliation of investment property - Group - 2019

	Opening balance	Additions	Transfers	Total
Investment property	**280 202**	**3 004**	**342**	**283 548**

Reconciliation of investment property - Group - 2018

	Opening balance	Transfers	Total
Investment property	**225 163**	**55 039**	**280 202**

Reconciliation of investment property - Company - 2020

	Opening balance	Total
Investment property	**195 493**	**195 493**

Reconciliation of investment property - Company - 2019

	Opening balance	Additions	Transfers	Total
Investment property	**192 147**	**3 004**	**342**	**195 493**

Reconciliation of investment property - Company - 2018

	Opening balance	Transfers	Total
Investment property	**137 108**	**55 039**	**192 147**

The fair value of investment properties were obtained from an independent valuer.

Notes to the Consolidated Financial Statements

6. Heritage assets

Group	2020			2019		
	Cost / Valuation	Movement	Carrying value	Cost / Valuation	Movement	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	2020			2019		
	Cost / Valuation	Movement	Carrying value	Cost / Valuation	Movement	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 Consolidated Financial Statements

7. Intangible assets

Group	2020			2019		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	357 617	(339 610)	18 007	468 230	(372 892)	95 338
Intangible assets under development	54 806	-	54 806	60 310	-	60 310
Total intangible assets	**412 423**	**(339 610)**	**72 813**	**528 540**	**(372 892)**	**155 648**
Company						
Computer software	354 243	(336 236)	18 007	464 856	(369 518)	95 338
Intangible assets under development	54 806	-	54 806	60 310	-	60 310
Total intangible assets	**409 049**	**(336 236)**	**72 813**	**525 166**	**(369 518)**	**155 648**

Reconciliation of intangible assets - Group - 2020

	Opening balance	Additions	Movement through business combinations	Amortisation	Total
Computer software	95 338	390	(59 806)	(17 915)	18 007
Intangible assets under development	60 310	-	(5 504)	-	54 806
Total intangible assets	**155 648**	**390**	**(65 310)**	**(17 915)**	**72 813**

Reconciliation of intangible assets - Group - 2019

	Opening balance	Additions	Amortisation	Change in estimate	Total
Computer software	62 612	72 702	(42 098)	2 122	95 338
Intangible assets under development	60 310	-	-	-	60 310
Total intangible assets	**122 922**	**72 702**	**(42 098)**	**2 122**	**155 648**

Notes to the Consolidated Financial Statements

Reconciliation of intangible assets - Company - 2020

	Opening balance	Additions	Movement through business combinations	Amortisation	Total
Computer software	95 338	391	(59 806)	(17 916)	18 007
Intangible assets under development	60 310	-	(5 504)	-	54 806
Total intangible assets	**155 648**	**391**	**(65 310)**	**(17 916)**	**72 813**

Reconciliation of intangible assets - Company - 2019

	Opening balance	Additions	Amortisation	Change in estimate	Total
Computer software	62 612	72 702	(42 098)	2 122	95 338
Intangible assets under development	60 310	-	-	-	60 310
Total intangible assets	**122 922**	**72 702**	**(42 098)**	**2 122**	**155 648**

Individually material intangible assets

There are no individually material intangible assets that require specific disclosure.

Pledged as security

No intangible assets have been pledged as security for liabilities.

Other information

There were no impairments of intangible assets during the year.

Notes to the Consolidated Financial Statements

8. Investments in subsidiaries

The following table lists the entities which are controlled by the Group, either directly or indirectly through subsidiaries.

Company	2020	2019	2020	2019
Name of company	**% Holding**	**% Holding**	**Carrying Amount**	**Carrying Amount**
Post Office Properties (Rossburgh) (Pty) Limited	100 %	100 %	8 564	8 564
Post Office Properties (Cape Town) (Pty) Limited	100 %	100 %	5 976	5 976
Post Office Properties (Bloemfontein) (Pty) Limited	100 %	100 %	1 314	1 314
Post Office Properties (East Rand) (Pty) Limited	100 %	100 %	14 358	14 358
Post Office Properties (Port Elizabeth) (Pty) Limited	100 %	100 %	1 885	1 885
The Courier and Freight Group (Pty) Limited	100 %	100 %	1 053	1 053
The Document Exchange (Pty) Limited	100 %	100 %	-	-
			31 933	31 933

*Truebill (Pty) Ltd remains dormant.

The investments in subsidiary companies listed above are unlisted.

9. Loans to group companies

Loans				
Post Office Properties (Rossburgh) (Pty) Ltd This loan is interest free and has no fixed terms of repayment. The full amount has been impaired.	-	-	-	3 056
Post Office Properties (Cape Town) (Pty) Ltd This loan is interest free and has no fixed terms of repayment. The full amount has been impaired.	-	-	-	59
Post Office Properties (Bloemfontein) (Pty) Ltd Post Office Properties (Bloemfontein) (Pty) Ltd This loan is interest free and has no fixed terms of repayment. The full amount has been impaired.	-	-	183	120
Post Office Properties (East Rand) (Pty) Ltd Post Office Properties (East Rand) (Pty) Ltd This loan is interest free and has no fixed terms of repayment. The full amount has been impaired.	-	-	2 601	1 141
Post Office Properties (Port Elizabeth) (Pty) Ltd Post Office Properties (Port Elizabeth) (Pty) Ltd This loan is interest free and has no fixed terms of repayment. The full amount has been impaired.	-	-	-	248
The Courier and Freight Group (Pty) Ltd The Courier and Freight Group (Pty) Ltd This loan is interest free and has no fixed terms of repayment. The full amount has been impaired.	-	-	219 322	219 322
The Courier and Freight Group (Pty) Ltd	-	-	-	-
	-	**-**	**222 106**	**223 946**

The property companies do not have a separate bank account and the amounts arose as a result of transactions which 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.

Notes to the Consolidated Financial Statements

	Group		Company	
	2020	2019	2020	2019
	R '000	R '000	R '000	R '000
Receivables				
The Courier and Freight Group (Pty) Ltd	-	-	485 203	485 203

All the long term receivables above accrue interest at the prime rate.

The South African Post Office (SOC) Limited does not anticipate the recovery of the above mentioned receivables within the next 12 months.

Impairment				
Impairment of Inter group loans and receivables	-	-	(704 524)	(704 524)

Notes to the Consolidated Financial Statements

10. Other financial assets

	Group		Company	
	2020	2019	2020	2019
	R '000	R '000	R '000	R '000
At fair value through profit or loss				
Investment at fair value: Post retirement Medical Aid	1 014 053	1 100 659	1 014 053	1 100 659
Unlisted shares	3 541 421	-	3 541 421	-
Terms and conditions				
	4 555 474	**1 100 659**	**4 555 474**	**1 100 659**
At fair value through other comprehensive income (OCI)				
Unlisted shares - Centriq Insurance Innovation (Pty) Ltd	129 103	122 645	129 103	122 645
Negotiable Certificates of Deposit	-	1 386 488	-	1 386 488
Promissory Notes	-	442 421	-	442 421
	129 103	**1 951 554**	**129 103**	**1 951 554**
At amortised cost				
Fixed deposit	-	2 270 509	-	2 270 509
Total other financial assets	**4 684 577**	**5 322 722**	**4 684 577**	**5 322 722**
Non-current assets				
At fair value through profit and loss	4 218 002	733 295	4 218 002	733 295
At fair value through OCI	129 103	122 645	129 103	122 645
	4 347 105	**855 940**	**4 347 105**	**855 940**
Current assets				
At fair value through profit and loss	337 472	367 364	337 472	367 364
At fair value through OCI	-	1 828 909	-	1 828 909
At amortised cost	-	2 270 509	-	2 270 509
	337 472	**4 466 782**	**337 472**	**4 466 782**
	4 626 234	**5 322 722**	**4 626 234**	**5 322 722**
	-	-	-	-

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 subsequent measured at fair value through other comprehensive income (FVOCI). The Group designated the investment at FVOCI because these equity securities represent investments that the Group intends to hold long term for strategic purposes.

Notes to the Consolidated Financial Statements

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.

	Group		Company	
	2020	**2019**	**2020**	**2019**
	R '000	**R '000**	**R '000**	**R '000**
Level 1				
Local bonds	330 746	207 504	330 746	207 504
Local equity	313 021	409 319	313 021	409 319
Foreign bonds	43 069	21 928	43 069	21 928
Total level 1	**686 836**	**638 751**	**686 836**	**638 751**
Level 2				
Local and foreign investments & NCO's	327 216	461 908	327 216	461 908
Total level 1 and 2	**1 014 053**	**1 100 659**	**1 014 053**	**1 100 659**
For the current and previous financial years, there were no transfers between levels 1 and 2.				
Financial assets at fair value through profit or loss are denominated in the following currencies:				
Rand	**1 014 053**	**1 100 659**	**1 014 053**	**1 100 659**

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 following classes of financial assets are measured to fair value using quoted market prices:

- Negotiable Certificate of Deposit
- Promissory Notes

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 Consolidated Financial Statements

Fair value hierarchy of other comprehensive income financial assets

	Group		Company	
	2020	**2019**	**2020**	**2019**
	R '000	**R '000**	**R '000**	**R '000**
Level 2				
Negotiable Certificates of Deposit (NCD)	-	1 386 488	-	1 386 488
Promissory Notes (PN)	-	442 421	-	442 421
Total level 2	**-**	**1 828 909**	**-**	**1 828 909**
Level 3				
Unlisted shares – Centriq Insurance Innovation (Pty) Ltd	129 102	122 645	129 102	122 645
Total level 2 and 3	**1 951 554**	**2 435 017**	**1 951 554**	**2 435 017**

There were no transfers in or out of Level 3 during the current year.

Notes to the Consolidated Financial Statements

	Group		
	2020	2019	2020
	R '000	R '000	R '000

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 2020	Opening balance	Gains or losses in other comprehensive income	Closing balance
	R'000	R'000	R'000
Unlisted shares - Centriq Insurance Innovation (Pty) Ltd	122 645	6 457	129 102

Reconciliation of OCI financial assets measured at level 3 - Group & Company 2019	Opening balance	Gains or losses in other comprehensive income	Closing balance
	R'000	R'000	R'000
Unlisted shares - Centriq Insurance Innovation (Pty) Ltd	113 514	9 131	122 645

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 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 2020, 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.

	Group		Company	
	2020	2019	2020	2019
	R '000	R '000	R '000	R '000
At amortised Financial assets				
Fixed deposits	-	-	2 418 353	2 270 509

Management believe that the carrying amounts of the above mentioned assets approximates fair 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 years.

There were no gains or losses realised on the disposal of amortised cost financial assets in 2020, as all the financial assets were disposed of at their redemption date.

Notes to the Consolidated Financial Statements

11. Operating lease asset (accrual)

	Group		Company	
	2020	2019	2020	2019
	R '000	R '000	R '000	R '000
Non-current assets	7 788	5 958	7 593	5 817
Current assets	1 642	591	2 002	522
Current liabilities	(87)	(2 930)	-	(2 843)
	9 343	**(37 086)**	**9 595**	**(36 848)**

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.

12. Retirement benefits

Post 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	557 261	688 633
Benefits paid	(145)	(141 249)	(834)	(559 214)	(701 442)
Transfers	-	-	-	536 857	536 857
Actuarial (gain)/ loss	(2 064)	(322 979)	(91)	(1 019 425)	(1 344 559)
Present value of obligation at end of the year	**952**	**1 070 812**	**627**	**4 910 583**	**5 982 974**

Notes to the Consolidated Financial Statements

Present value of assets	**Post retirement telephone subsidy**	**Post-retirement medical aid subsidy**	**Provident Fund**	**Pension fund**	**Total**
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
Contributions 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 assets at end of the year	**-**	**-**	**43 039**	**5 799 476**	**5 842 515**

Net present value (obligation) / asset	**Post retirement telephone liability**	**Post Retirement medical aid subsidy**	**Provident Fund**	**Pension fund**	**Total**
Present value obligation	(952)	(1 070 812)	(627)	(4 910 583)	(5 982 974)
Present value assets	-	-	43 039	5 799 476	5 842 515
(Deficit) / surplus	**(952)**	**(1 070 812)**	**42 412**	**888 893**	**(140 459)**
Asset ceiling	-	-	-	(888 893)	(888 893)
Net present (obligation) / asset	**(952)**	**(1 070 812)**	**42 412**	**-**	**(1 029 352)**

Included in other financial assets is a post retirement medical aid asset of R1,014 billion (2019: R1,100 billion) to support the post retirement medical aid liability.

Notes to the Consolidated Financial Statements

Group 2019	Post retirement telephone	Post retirement medical aid subsidy	Provident fund	Pension Fund	Total
Present value of obligation					
Balance at the beginning of the year	3 459	1 423 844	1 549	5 729 072	7 157 924
Service cost	-	-	-	1 444	1 444
Finance expense	268	120 277	106	520 008	640 659
Benefits paid	(398)	(160 255)	(125)	(537 313)	(698 091)
Transfers	-	-	-	116 795	116 795
Actuarial (gain)/ loss	(419)	20 145	(70)	(488 310)	(468 654)
Present value of obligation at end of the year	**2 910**	**1 404 011**	**1 460**	**5 341 696**	**6 750 077**

	Post retirement telephone	Post retirement medical aid subsidy	Provident fund	Pension Fund	Total
Present value of assets					
Opening balance at the beginning of the year	-	-	34 121	6 268 510	6 302 631
Expected return on assets	-	-	2 709	613 578	616 287
Contribution received	-	-	-	2 236	2 236
Transfers	-	-	-	116 795	116 795
Benefits paid	-	-	(290)	(540 141)	(540 431)
Actuarial gains / (losses)	-	-	560	(71 441)	(70 881)
Present value of asset at end of the year	**-**	**-**	**37 100**	**6 389 537**	**6 426 637**

Net present value (obligation) / asset	Post retirement telephone subsidy	Post-retirement medical aid subsidy	Provident Fund	Pension fund	Total
Present value obligation	(3 459)	(1 423 844)	(1 549)	(5 729 072)	(7 157 924)
Present value asset	-	-	37 100	6 389 537	6 426 637
(Deficit) / surplus	**(3 459)**	**(1 423 844)**	**35 551**	**660 465**	**(731 287)**
Asset ceiling	-	-	-	(660 465)	(660 465)
Net present (obligation) / asset	**(3 459)**	**(1 423 844)**	**35 551**	**-**	**(1 391 752)**

Notes to the Consolidated Financial Statements

Company 2020	**Post-retirement telephone subsidy**	**Post-retirement medical aid subsidy**	**Provident Fund**	**Pension fund**	**Total**
Post Retirement benefit					
Present value of asset at end of the year					
Balance at the beginning of the year	3 459	1 423 844	1 549	5 729 072	7 157 924
Service cost	-	-	-	1 425	1 425
Finance expense	268	120 277	106	520 008	640 659
Benefits paid	(398)	(160 255)	(125)	(537 313)	(698 091)
Transfers	-	-	-	168 971	168 971
Actuarial (gain)/ loss	(419)	20 145	(70)	(488 310)	(468 654)
Present value of obligation at end of year	**2 910**	**1 404 011**	**1 460**	**5 393 853**	**6 802 234**

Present value of assets	**Post retirement telephone subsidy**	**Post-retirement medical aid subsidy**	**Provident Fund**	**Pension fund**	**Total**
Opening balance at the beginning of the year	-	-	37 100	6 389 537	6 426 637
Expected return on assets	-	-	2 642	581 931	584 573
Contribution received	-	-	-	2 217	2 217
Transfers	-	-	-	168 970	168 970
Benefits paid	-	-	(124)	(537 313)	(537 437)
Actuarial gains / (losses)	-	-	598	(304 485)	(303 887)
Present value of asset at end of the year	**-**	**-**	**40 216**	**6 300 857**	**6 341 073**

Net present value (obligation) / asset	**Post retirement telephone subsidy**	**Post-retirement medical aid subsidy**	**Provident Fund**	**Pension fund**	**Total**
Present value of obligation	(2 910)	(1 404 011)	(1 460)	(5 393 853)	(6 802 234)
Present value of asset	-	-	40 216	6 300 857	6 341 073
(Deficit) / surplus	**(2 910)**	**(1 404 011)**	**38 756**	**907 004**	**(461 161)**
Asset ceiling	-	-	-	(907 004)	(907 004)
Net present (obligation) / asset	**(2 910)**	**(1 404 011)**	**38 756**	**-**	**(1 368 165)**

Notes to the Consolidated Financial Statements

Company 2019	**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	4 153	1 335 124	1 790	5 558 781	6 899 848
Service cost	-	-	-	1 444	1 444
Finance expense	364	123 352	131	541 644	665 491
Benefits paid	(409)	(141 083)	(291)	(540 141)	(681 924)
Transfers	-	-	-	116 795	116 795
Actuarial (gain)/ loss	(649)	106 451	(81)	50 549	156 270
Present value of obligation at end of year	**3 459**	**1 423 844**	**1 549**	**5 729 072**	**7 157 924**

Present value of assets	**Post retirement telephone subsidy**	**Post-retirement medical aid subsidy**	**Provident Fund**	**Pension fund**	**Total**
Opening balance at the beginning of the year	-	-	34 121	6 268 510	6 302 631
Expected return on assets	-	-	2 709	613 578	616 287
Contribution received	-	-	-	2 236	2 236
Transfers	-	-	-	116 795	116 795
Benefits paid	-	-	(290)	(540 141)	(540 431)
Actuarial gains / (losses)	-	-	(560)	(71 441)	(70 881)
Present value of asset at end of the year	**-**	**-**	**3 7100**	**6 389 537**	**6 426 637**

Net present value (obligation) / asset	**Post retirement telephone subsidy**	**Post-retirement medical aid subsidy**	**Provident Fund**	**Pension fund**	**Total**
Present value of obligation	(3 459)	(1 423 844)	(1 549)	(5 729 072)	(7 157 924)
Present value of asset	-	-	37 100	6 389 537	6 426 637
(Deficit) / surplus	**(3 459)**	**(1 423 844)**	**35 551**	**660 465**	**(731 287)**
Asset ceiling	-	-	-	(660 465)	(660 465)
Net present (obligation) / asset	**(3 459)**	**(1 423 844)**	**35 551**	**-**	**(1 391 752)**

Notes to the Consolidated Financial Statements

	Group		Company	
	2020	**2019**	**2020**	**2019**
	R '000	**R '000**	**R '000**	**R '000**
Post retirement telephone subsidy				
The amounts recognised in profit and loss:				
Finance expense	251	268	251	268
The amounts recognised in other comprehensive income (OCI):				
Remeasurements of post retirement telephone subsidy (actuarial (gains) / losses)				
Changes in assumptions	83	(166)	83	(166)
Experience adjustment	1 981	(253)	1 981	(253)
	2 315	**(151)**	**2 315**	**(151)**

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 PA(90) mortality table was used to determine post retirement mortality, and 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.

	Group		Company	
	2020	**2019**	**2020**	**2019**
	R '000	**R '000**	**R '000**	**R '000**
Actuarial Assumptions				
Discount rate	11.35%	8.89%	11.35%	8.89%
Long term price inflation	6.11%	5.45%	6.11%	5.45%
Post retirement medical subsidy				
The amounts recognised in profit and loss:				
Interest cost	131 029	120 277	131 029	120 277
The amounts recognised in other comprehensive income (OCI):				
Remeasurements of post retirement medical subsidy (actuarial (gains) / losses)				
Change in assumptions	157 308	(111 241)	157 308	(111 241)
Experience adjustment	165 672	131 386	165 672	131 386
	454 009	**140 422**	**454 009**	**140 422**

Notes to the Consolidated Financial Statements

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 dependants 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.

The PA(90) mortality table was used to determine post retirement mortality, and there is no service cost as the liability only relates to pensioners, thus the liability is fully accrued. Allowance was made in the calculations for the liabilities of South African Post Office to increase in line with medical inflation. For CFG pensioners with a fixed subsidy, it was assumed that no future increases will occur. Should any increases in the fixed subsidy be implemented in future, this liability will increase.

	Group		Company	
	2020	**2019**	**2020**	**2019**
	R '000	**R '000**	**R '000**	**R '000**
Actuarial Assumptions				
Discount rate	12.81%	9.81%	12.81%	9.81%
Medical inflation increase rate	8.95%	7.79%	8.95%	7.79%
Long term price inflation	7.45%	6.29%	7.45%	6.29%
Provident fund				
The amounts recognised in profit and loss:				
Net interest cost / (income)	(2 876)	(2 536)	(2 876)	(2 536)
The amounts recognised in other comprehensive income (OCI):				
Remeasurements of provident fund (actuarial (gains) / losses)				
Change in assumptions	4	(2)	4	(2)
Experience adjustment	87	(68)	87	(68)
	(2 785)	**(2 606)**	**(2 785)**	**(2 606)**

Notes to the Consolidated Financial Statements

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

The SA85-90 (Light) table was used to determine pre-retirement mortality. This is a table reflecting mortality experience in South Africa. A retirement age of 59 years was assumed, and for employees currently over age 59, the immediate value of the benefit was provided for. 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.

	Group		Company	
	2020	2019	2020	2019
	R '000	R '000	R '000	R '000
Actuarial Assumptions				
Discount rate	6.35%	7.42%	6.35%	7.42%
Expected return on plan assets	6.35%	7.42%	6.35%	7.42%
Long term price inflation	3.71%	4.23%	3.71%	4.23%
Pension fund				
The amounts recognised in profit and loss:				
Service cost	1 251	1 425	1 251	1 425
Net interest income	-	-	-	-
Remeasurements of post retirement fund				
(Actuarial (gains) / losses)				
Changes in assumptions	813 759	(447 329)	813 759	(447 329)
Experience adjustment Remeasurement of asset Asset ceiling	205 666	(40 981)	205 666	(40 981)
Remeasurement of asset				
Asset ceiling	888 895	907 004	888 895	907 004
	1 909 571	**420 119**	**1 909 571**	**420 119**

Notes to the Consolidated Financial Statements

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.

The PA(90) mortality table was used to determine post retirement mortality.

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. It was assumed, on average, that active members will retire early at age 59 (the normal retirement age of the remaining active defined benefit members is 65 years). 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	
	2020	2019	2020	2019
	R '000	R '000	R '000	R '000
Actuarial assumptions				
Discount rate	13.48%	10.35%	13.48%	10.35%
Expected return on plan assets	13.48%	10.35%	13.48%	10.35%
Long term plan inflation	7.97%	6.78%	7.97%	6.78%

Notes to the Consolidated Financial Statements

13. Deferred tax

	Group		Company	
	2020	2019	2020	2019
	R '000	R '000	R '000	R '000
Deferred tax liability				
Property plant and equipment	(17 576)	(17 576)	-	-
Other deferred tax liability	(381)	(1 231)	-	-
Total deferred tax liability	(17 957)	(18 807)	-	-
Deferred tax asset				
Prepaid expenses	-	-	-	-
Tax losses available for set off against future taxable income	878	303	-	-
Total deferred tax asset	**878**	**303**	**-**	**-**

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	(17 957)	(18 807)	-	-
Deferred tax asset	878	303	-	-
Total net deferred tax liability	**(17 079)**	**(18 504)**	**-**	**-**
Reconciliation of deferred tax asset / (liability)				
At beginning of year	(18 504)	(18 229)	-	-
Reduction due to rate change	1 425	(275)	-	-
	(17 079)	**(18 504)**	**-**	**-**

Recognition of deferred tax asset

An entity shall disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition, when:

- the utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences; and
- the entity has suffered a loss in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

Notes to the Consolidated Financial Statements

	Group		Company	
	2020	2019	2020	2019
	R '000	R '000	R '000	R '000
Unrecognised deferred tax asset				
Government subsidy	65 346	83 963	65 346	83 963
Deferred international revenue	46 812	49 716	45 578	48 479
Trade and other payables	(508)	(508)	-	-
Provisions	548 142	510 920	544 197	509 742
Fixed assets	(413 187)	(7 714)	(402 677)	14 472
Estimated tax losses	2 159 265	1 504 445	1 977 994	1 323 062
Financial assets adjustments	(9 756)	(8 562)	(9 756)	(8 562)
Employee benefits	992	382	-	-
Financial instruments	(560)	650	(560)	650
SASSA advanced payment	(3 537)	133 774	(3 537)	133 774
	2 393 009	**2 282 494**	**2 216 858**	**2 105 580**

14. Prepayments

	Group		Company	
	2020	2019	2020	2019
	R '000	R '000	R '000	R '000
IT solutions paid in advance				
Services receivable within a year	**2 376**	**2 761**	**2 376**	**2 761**

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 Consolidated Financial Statements

15. Inventories

	Group		Company	
	2020	**2019**	**2020**	**2019**
	R '000	**R '000**	**R '000**	**R '000**
Merchandise	31 774	111 953	31 774	111 953
Consumables	49 182	35 835	49 054	35 505
Inventories (write-downs)	(1 738)	(84 498)	(1 738)	(84 498)
Total inventories net of write-downs	**79 218**	**63 290**	**79 090**	**62 960**

Inventory pledged as security

No inventory has been pledged as security for liabilities.

Inventory released to Income Statement

The amount of inventories and purchases of inventory items recognised as an expense during the period:

Merchandise	-	256 998	-	256 535
Consumables	-	24 548	-	24 444
Total Inventory expensed to profit & loss	**-**	**281 546**	**-**	**280 979**

Notes to the Consolidated Financial Statements

16. Trade and other receivable

	Group		Company	
	2020	2019	2020	2019
	R '000	R '000	R '000	R '000
Financial instruments:				
Trade receivables	775 219	696 963	767 912	686 163
Loss allowance	(74 922)	(82 323)	(71 114)	(77 424)
Trade receivables at amortised cost	700 297	614 640	696 798	608 739
Deposits	736	736	-	-
Deferred loss on hedges	36	-	-	-
Interest accrued on short-term investments	65	74	-	-
International debtors (net of impairment)	271 015	259 896	271 015	259 896
Other receivable (net of impairment)	318 906	687 536	316 618	685 387
Non-financial instruments:				
VAT	268	1 115	-	-
Employee costs in advance	(709)	35 075	(708)	35 093
Total trade and other receivables	**1 290 578**	**1 599 072**	**1 283 723**	**1 589 115**

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 beginning 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 Post Office and Cash In Transit companies was not completed by the year resulting in number of unresolved reconciliation issues.

Notes to the Consolidated Financial Statements

17. Cash and cash equivalents

	Group		Company	
	2020	2019	2020	2019
	R '000	R '000	R '000	R '000
Cash and cash equivalents consist of:				
Bank balances	1 400 229	5 776 856	1 375 333	5 757 380
Other cash and cash equivalents	409 218	410 000	409 218	410 000
	1 809 447	**6 186 856**	**1 784 551**	**6 167 380**

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.

18. Share capital

	Group		Company	
	2020	2019	2020	2019
	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:				
Opening balance	5 217 116	5 217 116	5 217 116	5 217 116
Shares purchases by subsidiaries	-	-	-	-
Capitalisation dividends	-	-	-	-
Issue of shares – ordinary shares	2 947 000	2 947 000	2 947 000	2 947 000
	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.

Notes to the Consolidated Financial Statements

19. Fair value adjustment for other comprehensive income reserve

The unlisted shares held in the cell captive Centriq Insurance Innovation (Pty) Ltd) are classified as subsequent measured at fair value through other comprehensive income (FVOCI).

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.

	Group		Company	
	2020	2019	2020	2019
	R '000	R '000	R '000	R '000
Promissory Notes	-	2 616	-	2 616
Unlisted shares - Centriq Insurance Innovation (Pty) Ltd	129 102	102 595	129 102	102 595
	129 102	**105 211**	**129 102**	**105 211**

20. Financial liabilities at amortised cost

	Group		Company	
	2020	2019	2020	2019
	R '000	R '000	R '000	R '000
Non-current liabilities	275 014	275 014	275 014	275 014
Current liabilities	71 481	126 468	71 481	126 468
	346 495	**401 482**	**346 495**	**401 482**

Financial liabilities at amortised cost consist of the advance payment of R541 million received from SASSA in the previous financial year. This financial liability is an interest free liability which was fair valued at the average market interest rate of 9.21%. This advance payment is repaid through 10% deduction from the services charges payable to 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.

Notes to the Consolidated Financial Statements

21. Provisions

Reconciliation of provisions - Group - 2020

	Opening balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Site restoration	285 442	-	(73 034)	(29 331)	117 087	300 164
General provision	1 360	32 268	-	-	-	33 628
Leave pay	147 393	7 757	(1 472)	(8 967)	-	144 711
Contractual 13th cheque	67 590	-	2 301	-	-	69 891
Long service cash awards	42 352	3 110	(7 715)	-	-	37 747
Long service leave awards	14 926	1 263	(1 808)	194	-	14 575
	559 063	**44 398**	**(81 728)**	**(38 104)**	**117 087**	**600 716**

Reconciliation of provisions - Group - 2019

	Opening balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Site restoration	301 091	86 716	(73 034)	-	(29 331)	285 442
Legal proceedings	3 000	-	-	(3 000)	-	-
General provision	136 014	39	-	(134 693)	-	1 360
Leave pay	110 342	47 490	(1 472)	(8 967)	-	147 393
Contractual 13th cheque	73 806	141 193	(147 409)	-	-	67 590
Long service cash awards	45 249	4 885	(7 782)	-	-	42 352
Long service leave awards	14 603	2 635	(2 312)	-	-	14 926
	684 105	**282 958**	**(232 009)**	**(146 660)**	**(29 331)**	**559 063**

Notes to the Consolidated Financial Statements

Reconciliation of provisions - Company - 2020

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Site restoration	283 843	86 716	(73 034)	1 119	298 644
General provision	39	32 171	-	-	32 210
Leave pay	146 174	7 268	(1 472)	(8 967)	143 003
Contractual 13th cheque	67 444	-	2 374	-	69 818
Long service cash awards	40 612	3 002	(8 233)	626	36 007
Long service leave awards	14 926	1 263	(1 752)	138	14 575
	553 038	**130 420**	**(82 117)**	**(7 084)**	594 257

Reconciliation of provisions - Company - 2019

	Opening balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Site restoration	299 492	86 716	(73 034)	-	(29 331)	283 843
Legal proceedings	3 000	-	-	(3 000)	-	-
General provision	134 663	39	-	(134 663)	-	39
Leave pay	109 249	47 364	(1 472)	(8 967)	-	146 174
Contractual 13th cheque	73 650	141 203	(147 409)	-	-	67 444
Long service cash awards	43 236	5 158	(7 782)	-	-	40 612
Long service leave awards	14 603	2 635	(2 312)	-	-	14 926
	677 893	**283 115**	**(232 009)**	**(146 630)**	**(29 331)**	**553 038**

Non-current liabilities	303 107	294 278	299 393	290 485
Current liabilities	297 609	264 785	294 864	262 553
Total provisions	**600 716**	**559 063**	**594 257**	**553 038**

Notes to the Consolidated Financial Statements

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.

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, has been applied an assumption that 50% of the balance standing in the normal accrued leave will be taken as leave in the next 12 months. The remainder of the normal and the balance in the capped leave will be paid out in cash when the employee leaves the service of the South African Post Office (SOC) Limited by death, resignation or retirement. In the case of the accrued leave, this will be based on the salary applicable at that date, and in the case of the capped leave, based on the current fixed rate.

A restricted number of employees are members of the leave provident fund. This provident fund provides for leave in excess of 60 days at a specific point in time. No additional employees may become members of this fund. Leave in this fund can only be 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 Consolidated Financial Statements

22. Trade and other payables

	Group		Company	
	2020	2019	2020	2019
	R '000	R '000	R '000	R '000
Financial instruments:				
Trade payables	269 155	481 822	229 489	440 405
Accrued expenses	468 578	479 832	460 985	471 753
International trade payables	256 915	204 065	256 915	204 065
Deposits received	75 297	92 737	73 677	91 032
Employee benefit payments	153 614	180 797	151 152	178 937
Other payables	76 621	100 514	77 356	100 410
VAT	18 326	47 136	17 747	46 802
Trade payables - related parties	2 594 345	-	2 594 345	-
Non-financial instruments:				
	3 912 852	**1 586 903**	**3 861 666**	**1 533 404**

23. Deferred income

	Group		Company	
	2020	2019	2020	2019
	R '000	R '000	R '000	R '000
Deferred income consists of the following:				
Bulk mail, Parcels, Hybrid, Mail Sundry & Registered Letters revenue	655	621	655	621
Franking mail revenue	705	768	705	768
Box revenue	159 648	169 652	159 648	169 652
Stamp and envelope revenue	1 662	1 191	1 662	1 191
Speed services revenue	109	906	109	906
XPS freight	-	3	-	-
Subscription fees	6 761	5 802	-	-
Total deferred income	**169 540**	**178 943**	**162 779**	**173 138**

Notes to the Consolidated Financial Statements

Deferred revenue
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.

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.

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.

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.

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.

International revenue
The sales report is drawn from the billing system (International Postal System) for all items billed in March. The unearned revenue computation is based on the Quality of Service system which measures the performance in average days for the relevant month.

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.

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.

Notes to the Consolidated Financial Statements

24. Other deposits (grants)

	Group		Company	
	2020	2019	2020	2019
	R '000	R '000	R '000	R '000
Other deposits				
(SASSA grants)	**-**	**508 843**	**-**	**508 843**

Other deposits 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.

25. Deposits from the public

	Group		Company	
	2020	2019	2020	2019
	R '000	R '000	R '000	R '000
Term deposits	-	216 444	-	216 444
Transactional and savings accounts	-	4 933 824	-	4 933 824
	-	**5 150 268**	**-**	**5 150 268**

Deposit from the public were all transferred to Postbank during the year under review.

26. Funds collected on behalf of third parties

	Group		Company	
	2020	2019	2020	2019
	R '000	R '000	R '000	R '000
Agency services and collections	168 911	524 022	168 911	524 022
Money and postal orders	8 172	8 243	8 172	8 243
	177 083	**532 265**	**177 083**	**532 265**

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.

Notes to the Consolidated Financial Statements

27. Government grants

	Group		Company	
	2020	2019	2020	2019
	R '000	R '000	R '000	R '000
Current liabilities				
Unutilised grants	**234 239**	**383 984**	**234 239**	**383 984**
Subsidy received				
Government grants unutilised in prior year	299 871	422 357	299 871	422 357
SASSA Government Grant	7 141	84 114	7 141	84 114
USO	474 627	-	474 627	-
Government grants utilised				
Utilised for DTT	(71 702)	(99 370)	(71 702)	(99 370)
Utilised for postal address roll-out	(1 071)	(23 116)	(1 071)	(23 116)
Utilised for USO	(412 719)	-	(412 719)	-
Value Added Tax (VAT)	(61 908)	-	(61 908)	-
	234 239	**383 984**	**234 239**	**383 984**

28. Revenue

	Group		Company	
	2020	2019	2020	2019
	R '000	R '000	R '000	R '000
Revenue from contracts with customers				
Retail products	3 373	2 674	3 373	2 674
Services rendered - Postal	2 826 765	2 820 434	2 788 407	2 782 677
Postbank service charges	-	1 380 969	-	1 380 969
Services rendered - Courier	54 674	77 531	54 719	73 077
Services rendered - Agency and money transfer	1 216 458	610 794	1 216 458	610 794
	4 101 270	**4 892 402**	**4 062 957**	**4 850 191**
Revenue other than from contracts with customers				
Postbank interest revenue	1 138	422 777	1 138	422 777
	1 138	**422 777**	**1 138**	**422 777**
Total revenue	**4 102 408**	**5 315 179**	**4 064 095**	**5 272 968**

Revenue comprises income from services provided and the sale of retail products, excluding VAT, rebates, and discounts as well as Postbank interest revenue excluding VAT.

These services include work performed as an agent for certain Government departments, other authorities and businesses. Refer to note 41 for more information.

Notes to the Consolidated Financial Statements

29. Other operating income

	Group		Company	
	2020	2019	2020	2019
	R '000	R '000	R '000	R '000
Commissions received	1 852	6 148	1 852	6 148
Fees earned	875	4 197	875	4 197
Foreign exchange difference	2 280	12 706	2 280	12 706
Other income	39 098	36 262	39 073	36 187
Other recoveries	611 710	36 039	611 398	35 484
Sundry income	4 328	6 021	4 328	6 021
Other rental income	73 711	122 473	71 382	120 231
	733 854	**233 846**	**731 188**	**220 974**

30. Operating loss

	Group		Company	
	2020	2019	2020	2019
	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	19 690	26 106	18 791	25 151
Remuneration, other than to employees Administrative and managerial services	1 427	1 835	-	-
Consulting and professional services	822 718	495 949	822 972	495 242
	824 145	**497 784**	**822 972**	**495 242**
Employee costs				
Salaries, wages, bonuses and other benefits	3 343 686	3 326 386	3 324 969	3 309 148
Home-Owner's Allowance	14 620	16 183	14 523	16 023
Motor Scheme Management	12 297	12 447	12 286	12 435
Other short term costs	52 717	72 106	52 510	72 073
Retirement benefit plans: defined contribution expense	331 374	322 621	329 587	320 874
Long term incentive scheme	5 556	5 865	5 556	5 754
Termination benefits	131 065	-	131 065	-
Total employee costs	**3 891 315**	**3 755 608**	**3 870 496**	**3 736 307**
Depreciation, amortisation & impairment				
Depreciation of property, plant and equipment	275 410	137 043	274 985	136 208
Amortisation of intangible assets	17 916	39 979	17 916	39 976
Total depreciation and amortisation	**293 326**	**177 022**	**292 901**	**176 184**

Notes to the Consolidated Financial Statements

31. Employee costs

	Group		Company	
	2020	2019	2020	2019
	R '000	R '000	R '000	R '000
Employee costs				
Basic	2 688 903	2 706 073	2 675 055	2 692 179
Thirteenth cheque	165 626	149 158	163 703	147 409
Medical aid - company contributions	393 959	357 248	392 736	356 120
Unemployment Insurance Fund	27 287	27 740	27 157	27 606
Workers Compensation Assistance	27 453	21 107	26 629	21 107
Skills Development Levy	31 704	31 358	31 533	31 192
Other payroll levies	15	11	-	-
Leave pay provision charge	8 739	33 691	8 156	33 535
Home-Owner's Allowance	14 620	16 183	14 523	16 023
Motor Scheme Management	12 297	12 447	12 286	12 435
Other short term costs	52 717	72 106	52 510	72 073
Retirement benefit plans	331 374	322 621	329 587	320 874
Long-term benefits - incentive scheme	5 556	5 865	5 556	5 754
Termination benefits	131 065	-	131 065	-
	3 891 315	**3 755 608**	**3 870 496**	**3 736 307**

Notes to the Consolidated Financial Statements

32. Depreciation, amortisation and impairment losses

	Group		Company	
	2020	2019	2020	2019
	R '000	R '000	R '000	R '000
The following items are included within depreciation, amortisation and impairment losses:				
Depreciation				
Property, plant and equipment	**275 410**	**137 043**	**274 985**	**136 208**
Amortisation				
Intangible assets	**17 916**	**39 979**	**17 916**	**39 976**
Inventory write down				
Allowance for inventory write down	**(2 731)**	**2 933**	**(3 060)**	**2 933**
Total depreciation, amortisation and impairment				
Depreciation	275 410	137 043	274 985	136 208
Amortisation	17 916	39 979	17 916	39 976
Impairment losses	(2 731)	2 933	(3 060)	2 933
	290 595	**179 955**	**289 841**	**179 117**

33. Investment income

	Group		Company	
	2020	2019	2020	2019
	R '000	R '000	R '000	R '000
Dividend income				
Equity instruments at fair value through profit or loss:				
Unlisted investments - Local	**16**	**230**	**16**	**-**
Interest income				
Investments in financial assets				
Bank and other cash	753 270	797 024	752 271	795 819
Loans receivable at amortised cost	-	9 658	-	9 658
Other financial assets	-	36 168	-	36 044
Total interest income	**753 270**	**842 850**	**752 271**	**841 521**
Total investment income	**753 286**	**843 080**	**752 287**	**841 521**

Investment income on financial instruments which are available for sale or held to maturity are only presented for comparative purposes for financial instruments held in the prior reporting period but which were disposed of prior to the beginning current reporting period, which is the date of adoption of IFRS 9 Financial Instruments. Investment income on all other financial assets has been reclassified in compliance with IFRS 9.

Notes to the Consolidated Financial Statements

34. Finance expense

	Group		Company	
	2020	2019	2020	2019
	R '000	R '000	R '000	R '000
Postbank interest paid	2	96 607	2	96 607
Interest paid (bank)	107	689	48	621
Unwinding of site retoration provision	-	29 331	-	29 331
Finance charges attributable to post- retirement employee benefits	693 764	645 482	693 764	645 316
Term loan interest	23 756	73 808	23 756	71 740
Trade and other receivables discounting	81 940	30 814	81 940	30 814
Total finance costs	**799 569**	**876 731**	**799 510**	**874 429**

35. Fair value adjustments

	Group		Company	
	2020	2019	2020	2019
	R '000	R '000	R '000	R '000
Fair value gains (losses)				
Post Retirement Medical Aid asset and Provident Fund asset	(82 951)	43 969	(82 951)	43 969

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 12 for more detail

Notes to the Consolidated Financial Statements

36. Taxation

	Group		Company	
	2020	2019	2020	2019
	R '000	R '000	R '000	R '000
Major components of the tax (income expense)				
Current				
Local income tax – current period	**395**	**425**	**-**	**-**
Deferred				
Originating and reversing temporary differences	(1 022)	-	-	-
	(627)	**425**	**-**	**-**
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	(23.81)%	(13,16)%	(6.67)%	(14,13)%
Disallowable charges	13.08 %	14,16 %	3.66 %	14,02 %
Net deferred tax not raised	(17.98)%	135,55 %	(25.07)%	(52,74)%
	(0,71)%	**164,55 %**	**(0,08)%**	**(24,85)%**

Notes to the Consolidated Financial Statements

37. Cash (used in)/generated from operations

	Group		Company	
	2020	2019	2020	2019
	R '000	R '000	R '000	R '000
Loss before taxation	(1 768 832)	(1 099 279)	(1 769 758)	(1 117 901)
Adjustments for:				
Depreciation, amortisation and impairment	292 808	179 955	292 903	179 117
Other non-operating income	-	(138 352)	-	(138 352)
Dividend income	(16)	-	(16)	-
Interest and dividends income	(543 755)	(833 376)	(742 751)	(831 817)
Finance costs	799 569	876 731	799 510	874 429
Fair value adjustments	82 951	(43 969)	82 951	(43 969)
Fixed assets written off to I/S	(2 731)	14 848	(3 060)	14 804
(Increase) decrease in operating lease assets and accruals	(46 429)	3 662	(46 443)	3 713
(Increase) decrease in retirement benefits	(122 210)	23 656	(122 210)	23 656
Increase (decrease) in provisions	41 653	(125 042)	41 219	(124 855)
Interest free benefit (Non cash government grant)	-	(11 133)	-	(11 133)
Asset acquisitions non-cash movement	-	(69 813)	-	(69 681)
Discounting of Financial instruments	-	(40 699)	-	(40 699)
Other non-cash items	-	(11 799)	-	(4 550)
Changes in working capital:				
Inventories	(15 928)	(1 791)	(16 130)	(1 647)
Trade and other receivables	308 494	(1 127 505)	305 392	(1 134 236)
Trade and other payables	2 325 957	144 002	2 328 265	164 181
Prepayments	385	7 433	385	7 433
Deferred income	(9 404)	(33 790)	(10 360)	(33 821)
Contract Liabilities	-	938 761	1 931 031	938 304
Deposits from the public	-	48 982	-	48 982
Funds collected on behalf of third parties	(355 364)	232 445	(355 364)	232 902
Government grants	(155 502)	(38 373)	(156 029)	(38 373)
	831 646	**(1 104 446)**	**(788 000)**	**(1 103 513)**

Notes to the Consolidated Financial Statements

38. Tax paid

	Group		Company	
	2020	2019	2020	2019
	R '000	R '000	R '000	R '000
Balance at beginning of the year	31	(438)	-	-
Current tax for the year recognised in profit or loss	(395)	(425)	-	-
Balance at end of the year	(242)	(31)	-	-
	(606)	**(894)**	**-**	**-**

39. Commitments

	Group		Company	
	2020	2019	2020	2019
	R '000	R '000	R '000	R '000
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:				
Already contracted for but not provided for				
▪ Property, plant and equipment	7 215	42 542	7 215	42 542
▪ Intangible assets	3 497	17 764	3 497	17 764
Total commitments	**10 712**	**60 306**	**10 712**	**60 306**

This committed expenditure will be financed by existing cash resources.

Capital commitments are disclosed in respect of contracted amounts for which delivery is outstanding at the accounting date.

Capital Commitments represent goods or services that have been ordered, but no delivery has taken place at the reporting 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 borrowing

Notes to the Consolidated Financial Statements

	Group		Company	
	2020	2019	2020	2019
	R '000	R '000	R '000	R '000
Operating leases – as lessee (expense)				
Minimum lease payments due				
- within one year	-	153 659	-	151 808
- in second to fifth year inclusive	-	515 990	-	513 330
- later than five years	-	290 770	-	290 770
	-	**960 419**	**-**	**955 908**

None of the lease agreements contain any contingent rent clauses and it is assumed that there are no contingent rent payments. It is also assumed that there are no restrictions that would impose additional debts that are not covered in the minimum contract terms. Rental payments are based on a rate per square meter relating to the prevalent market rate at the inception of each contract. Escalation clauses vary from contract to contract averaging at 7% (2019 : 7%). Contract renewal option is assumed to be exercised by the Company, unless decided otherwise by Management.

	Group		Company	
	2020	2019	2020	2019
	R '000	R '000	R '000	R '000
Minimum lease payments due - Vehicles				
The total future minimum sublease payment expected	-	95 970	-	95 970
to be received under non-cancellable sublease - in second to fifth year inclusive	-	117 431	-	117 431
	-	**213 264**	**-**	**213 264**

The lease period ranges from two to five years at interest rates at Prime minus 2% to Prime plus 2,25%. The vehicles are being utilised for the delivery of parcels and mail.

Operating leases – as lessor (income)				
Minimum lease payments due				
- Within one year	39 996	26 843	39 996	26 843
- In second to fifth year inclusive	62 441	55 978	62 441	55 978
- Later than five years	9 370	2 911	9 370	2 911
	111 807	**85 732**	**111 807**	**85 732**

Rental income has been based on a rate per square meter relating to the prevalent market rate at inception of each contract. Escalation clauses vary from contract to contract with an average of 8% (2019 : 8%). Lease agreements are entered into for a minimum of two years to a maximum of three year period. Contract renewal option period is assumed to be exercised by the Company, unless decided otherwise by Management. None of the lease agreements contain any contingent rent clauses.

Notes to the Consolidated Financial Statements

40. Contingencies

	Group		Company	
	2020	2019	2020	2019
	R '000	R '000	R '000	R '000
Contingent Liabilities				
The following contingent liabilities were identified:				
Civil and Service providers	118 024	312 536	116 393	310 943
Labour cases	4 540	49 482	4 540	49 482
Total contingencies	**122 564**	**362 018**	**120 933**	**360 425**

1. Civil and Service providers

Various proceedings were instituted against the SA Post Office Group during the 2020 and the previous financial years. The amounts being claimed from the Group total approximately R118 million (2019: R312 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:

a. A R18.3 million being an alleged claim against South African Post Office as a result of a customer's murder in the SA Post Office premises.
b. The Group also incurred various minor claims, the nature of these cases include amongst others the claims against Post Office 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.

2. Labour cases

The Group has contingent liabilities in respect of labour claims due to alleged unfair dismissals and unfair labour practices amounting to R4.5 million (2019: R49.4 million). Included in these labour cases are cases which the CCMA has already ruled in favour of the South African Post Office however the former employee applied for the review of the award. The claims included are not individually material.

Contingent Assets

The following contingent assets were identified:

	Group		Company	
	2020	2019	2020	2019
	R '000	R '000	R '000	R '000
Civil claims	**13 842**	**13 460**	**11 302**	**10 920**

The contingent assets include various cases were 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 Consolidated Financial Statements

41. Related parties

Relationships	
Ultimate holding company	South African Government
Holding company	South African Post Office SOC Ltd (SA Post Office)
Subsidiaries	Refer to note 8
Members of key management	Refer to note 42
Shareholder with significant influence	The Department of Communications and Digital Technologies
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 SA Post Office, 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 Post Office and other government entities.

Only individually significant transactions and balances are disclosed. According to the materiality framework of SA Post Office, 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 Consolidated Financial Statements

	Group		Company	
	2020	2019	2020	2019
	R '000	R '000	R '000	R '000
Related party balances				
Loan accounts - Owing (to) by related parties				
Post Office Properties (Bloemfontein) (Pty) Limited	-	-	183	120
Post Office Properties (Erf 145018 Cape Town) (Pty) Limited	-	-	(197)	59
Post Office Properties (East Rand) (Pty) Limited	-	-	2 601	1 141
Post Office Properties (Port Elizabeth) (Pty) Limited	-	-	(10)	235
Post Office Properties (Rossburgh) (Pty) Limited	-	-	(125)	607
The Courier and Freight Group (Pty) Ltd	-	-	704 524	782 326
The Document Exchange (Pty) Ltd	-	-	829	337
Amounts included in (Trade and other payables)				
Other Public Entities	(38 765)	(122 661)	(38 765)	(122 661)
South African Social Services Agency	(293 241)	(485 596)	(293 241)	(485 596)
Postbank SOC Limited	(2 594 345)	-	(2 594 345)	-
Universal Service and Access Agency of South Africa	(215 206)	(286 381)	(215 206)	(286 381)
Amounts included in (Trade and other receivables)				
Other Public Entities	39 025	34 322	39 025	34 322
South African Social Services Agency	636 034	387 879	636 034	387 879

Notes to the Consolidated Financial Statements

	Group		Company	
	2020	2019	2020	2019
	R '000	R '000	R '000	R '000
Transactions with subsidiaries				
The Document Exchange (Pty) Limited	-	-	8 600	9 438
The Courier and Freight Group (Pty) Limited	-	-	-	8 637
Postbank SOC Limited - Directors Fees	-	-	-	2 076
Grant subsidy balance				
Department of Communication and Digital Technologies	277 098	299 870	277 098	299 870
Investments				
Land and Agricultural Bank	-	442 421	-	442 421
Related party transactions				
Other transactions related parties				
Department of Communications and Digital Technologies grant subsidy	474 627	-	474 627	-
Department of Communications and Digital Technologies	-	2 947 000	-	2 947 000
South African Social Services Agency - Advance payment	-	541 000	-	541 000

Notes to the Consolidated Financial Statements

	Group		Company	
	2020	2019	2020	2019
	R '000	R '000	R '000	R '000
Purchases from related parties				
Telkom SA Limited	148 095	161 484	148 095	161 484
Other public entities	91 566	91 147	91 566	91 147
ESKOM	197 600	287 364	197 600	287 364
Sales to related parties				
Universal Service and Access Agency of South Africa	71 379	99 386	71 379	99 386
South African Social Services Agency	1 463 484	709 997	1 463 484	709 997
South African National Roads Agency Limited	99 075	100 790	99 075	100 790
Other public entities	207 908	238 634	207 908	238 634
Transactions with authorities & regulators				
South African Revenue Services (Employee Tax & other taxes)	1 095 364	674 371	1 095 364	674 371
South African Revenue Services (VAT)	842 460	705 873	842 460	705 873
Unemployment Insurance Fund	110 264	110 517	110 264	110 517
Other public entities	-	62 565	-	62 565
Funds collected on behalf of the related parties				
South African Broadcasting Corporation Limited	181 559	262 236	181 559	262 236
Post Office Retirement Fund	542 967	478 445	542 967	478 445
Eskom Limited	69 264	329 286	69 264	329 286
Other public entities	46 845	32 509	46 845	32 509

The remuneration of directors and other members of key management amounted to R35,482 million (2019: R24,961) 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 12 for the detailed disclosure.

* Postbank has been accounted for as a division of Post Office in this set of financial statements. However as part of supporting the application for the banking license, a separate entity Postbank SOC Limited has been registered with its own board of directors. The amount disclosed in this note relates to the remuneration of Postbank SOC Limited's board members.

Notes to the Consolidated Financial Statements

42. Director's and prescribed officer's emoluments

The following emoluments were paid to the directors or any individuals holding a prescribed office during the year:

Executive

2020

		Emoluments	Other benefits*	Compensation for loss of office	Total
Mr Mark Barnes	2	2 637	-	245	2 882
Ms LO Kwele	3	3 338	211	-	3 549
Mr J Dlamuka	4	1 953	244	-	2 197
Ms Z Ntsikeni	5	2 437	262	-	2 699
Mr RG Kekana	6	1 829	32	-	1 861
Mr IA Nongogo	7	1 365	279	-	1 644
		13 559	**1 028**	**245**	**14 832**

2019

		Emoluments	Other benefits*	Compensation for loss of office	Total
Mr MA Barnes (GCEO)	2	4 516	-	-	4 516
Ms NJ Dewar	8	608	6	184	798
Ms LO Kwele	3	3 336	23	-	3 359
Mr JD Dlamuka	4	1 678	7	-	1 685
		10 138	**36**	**184**	**10 358**

Emoluments	Other benefits*	Total
4 240	-	4 240
2 423	28	2 451
2 587	19	2 606
9 250	**47**	**9 267**

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 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.
4. Appointed as Acting GCFO on 1 June 2018 until 29 February 2020. Also a director of Document Exchange.
5. Appointed as GE: Operations on 1 April 2019. Appointed as Acting COO on 1 August 2019 until 21 February 2020. Also a director of Document Exchange.
6. Appointed as CIO on 6 May 2019. Appointed as Acting COO on 21 February 2020. Also a director of Document Exchange.
7. Appointed as Acting GE: Governance and Compliance on 1 July 2018. Appointed as Acting GCEO on 4 December 2019. Also a director of Document Exchange.
8. Appointed as GCFO on 12 December 2016. Also a director of Document Exchange. Retired 31 May 2018.

Retired implies resigned, retired or dismissed.

Notes to the Consolidated Financial Statements

Non-executive				
2020				
		Emoluments 1	**Other fees**	**Total**
Ms C Makhubele (Chairperson)	2	928	28	956
Ms T van der Sandt	3	401	20	421
Ms N Ngonyama	4	281	28	309
Mr S Nkese	5	151	17	168
Mr A Ramoadi	6	274	9	283
Ms Z Siyotula	7	152	2	154
Mr K Matthews	8	413	5	418
Adv G Rasethaba	9	789	32	821
Dr C Nwaila	10	855	31	886
Mr BM Ramokhele	11	-	-	-
		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 25th October 2019
3. Appointed 25th October 2019
4. Appointed 25th October 2019.
5. Appointed 25th October 2019.
6. Appointed 25th October 2019
7. Appointed 25th October 2019, Resigned 31st March 2020
8. Appointed 25th October 2019, Resigned 2nd March 2020
9. Appointed 1st April 2018, Resigned 31st March 2020
10. Appointed 1st April 2018, Resigned 31st March 2020
11. Appointed 4th March 2020, Resigned 12 June 2020

2019				
		Emoluments 1	**Other fees**	**Total**
Ms MLD Marole	2	277	-	277
Dr LM Molefi	3	283	-	283
Mr ZC Ngidi (Chair Person)	4	917	-	917
Mr PE Rabohale	5	286	-	286
Ms NV Simamane	6	274	-	274
Mr ME Zakwe	7	424	-	424
Mr K Matthews	8	254	-	254
Adv G Rasethaba	9	370	-	370
Dr C Nwaila	10	340	-	340
		3 425	**-**	**3425**

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 15 August 2015.
3. Appointed 15 August 2015. Also the Chairperson of Document Exchange.
4. Appointed 15 August 2015. Chairperson of the Board from 13 March 2017 and director of Document Exchange.
5. Appointed 15 August 2015.
6. Appointed 01 April 2018. Also appointed to the audit committee from 20 September 2018
7. Appointed 15 August 2015.
8. Appointed 1 October 2016.
9. Appointed 15 August 2015.
10. Appointed 01 April 2018. Also appointed to the audit committee from 20 September 2018

Retired implies resigned, retired or dismissed.

Notes to the Consolidated Financial Statements

Prescribed officers				
2020				
		Emoluments	**Other benefits 1**	**Total**
Mr CA Phillips	2	1 747	23	1 770
Mr D Dada	3	1 335	23	1 358
Mr N Ruthnam	4	1 225	215	1 440
Mr TJ Nanyane	5	1 268	192	1 460
Ms P Matsena	6	-	-	-
Ms S Myburgh	7	1 379	82	1 461
Ms A Spies	8	575	157	732
Mr Motjale	9	2 202	23	2 225
Ms Sontange	10	426	30	456
Mr PR Tsotetsi	11	-	-	-
Ms K Rapoo	12	1 362	-	1 362
Mr B Mgoza	13	2 291	9	2 300
		13 810	**754**	**14 564**

1. Other benefits include mainly telephone and acting allowance.
2. Chief Audit Executive.
3. Company Secretary from 1 August 2017.
4. Appointed as Acting GE: Strategy on 7 July 2018.
5. Appointed as Acting GE: Sales on 1 June 2018.
6. Appointed as Acting CIO on 3 September 2018. Workflow appointment.
7. Appointed as Acting GE: Human Resources on 22 January 2019.
8. Appointed as Acting GE: Human Resources on 18 September 2019
9. Appointed as GE: Supply Chain Management. Precautionary suspension
10. Appointed as Acting GE: Supply Chain Management on 5 December
11. Appointed as Acting CFO on 21 February 2020. Workflow appointment.
12. Appointed as GM: Risk Management
13. Appointed as GM: Real Estate

Retired implies resigned, retired or dismissed

Notes to the Consolidated Financial Statements

2019					
		Emoluments	Other benefits 1	Compensation for loss of office (Leave pay)	Total
Mr CA Phillips	2	1 662	23	-	1 685
Ms AR Seafield	3	1 370	20	59	1 449
Mr DMM Mncwabe	4	537	6	217	760
Mr NST Ndhlazi	5	431	2	27	460
Mr M Salojee	6	158	2	78	238
Mr NI Tolom	7	278	4	142	424
Mr S Adam	8	2 666	23	-	2 689
Mr D Dada	9	1 138	23	-	1 161
Mr N Ruthnam	10	871	6	-	877
Mr JT Nanyane	11	427	7	-	434
Mr IA Nongogo	12	978	18	-	996
Ms S Myburg	13	216	1	-	217
Ms S Xaba	14	474	4	-	478
		11 206	**139**	**523**	**11 868**

1. Other benefits include mainly telephone and various travel related reimbursements.
2. Chief Audit Executive.
3. GE: Human Capital Management.
4. Group CIO.
5. GE: Strategy and Sustainability. Also a director of Document Exchange.
6. GE: Governance and Regulation. Also a director of Document Exchange.
7. GE: Commercial. Appointed 1 November 2015.
8. Acting MD: Postbank.
9. Appointed Group Company Secretary from 1 August 2017
10. Appointed Group Acting GE Strategy on 07 July 2018
11. Appointed as GE: Governance and Compliance on 01 July 2018.
12. Apponted as Acting CIO on 3 September 2018. Workflow appointment.
13. Appointed as Acting GE: Human Resources on 22 January 2019.
14. Appointed as Acting GE: Operations on 01 November 2018, appointed GE Operations on 01 April 2019.

Retired implies resigned, retired or dismissed

Notes to the Consolidated Financial Statements

43. Comparative figures and prior period errors

The comparative figures for the separate and consolidated annual financial statements have been restated due to various errors as follows. The effects of the restatements are as follows:

Statement of financial position	Audit AFS 2019	Restatement	Restated amount
	R'000	R'000	2019
			R'000
Other Receivables	1 701 890	(65 271)	1 636 619
Trade and other payables	(1 533 398)	27 612	(1 505 786)
	168 492	**(37 659)**	**130 833**

- During the 2020 financial year a review was made of other receivables. To validity of amounts reported as at 31 March 2019. This was achieved through extensive reconciliation of other receivables.
- The error has been corrected restrospectively with the comparitive (2019 Financial Year) restated.

Statement of comprehensive income	Audit AFS 2019	Restatement	Restated amount
	R'000	R'000	2019
			R'000
Revenue	5 437 652	(122 473)	5 315 179
Other income	101 373	122 473	233 846
	5 539 025	**-**	**5 539 025**

During the 2019 financial year the rental income was incorrectly recorded as revenue instead of other income. R122 million was reclassified from revenue to other income.

Notes to the Consolidated Financial Statements

44. Financial instruments and risk management

Categories of financial assets

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 note 9,20,21&23, 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 2020 and 31 March 2019 respectively were as follows:

		Group		Company	
		2020	**2019**	**2020**	**2019**
		R '000	**R '000**	**R '000**	**R '000**
Compound instruments	20	346 495	401 482	346 495	401 482
Loans from group companies		394	-	332	-
Financial liabilities at fair value		-	-	-	-
Borrowings	51	196 127	-	196 127	-
Finance lease liabilities		667 433	-	667 433	-
Operating lease liability	11	87	43 635	-	43 187
Trade and other payables	22	3 912 855	1 586 898	3 861 665	1 533 400
Total borrowings		**5 123 391**	**2 032 015**	**5 072 052**	**1 978 069**

Notes to the Consolidated Financial Statements

		Group		Company	
		2020	2019	2020	2019
Cash and cash equivalents	17	(1 809 447)	(6 186 856)	(1 784 551)	(6 167 380)
Net borrowings		**3 313 944**	**(4 154 841)**	**3 287 501**	**(4 189 311)**
Equity		3 671 317	5 186 400	3 660 541	5 184 322
Gearing ratio		90 %	(80)%	90%	(81)%

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

Notes to the Consolidated Financial Statements

- The fair value of foreign currency forward contracts is measured using quoted forward exchange rates and interest rate differencial between local and foreign rates derived from quoted interest rates matching maturities of contracts.

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.

The maximum exposure to credit risk is presented in the table below:

		2020			2019		
		Gross carrying amount	**Credit loss allowance**	**Amortised cost / fair value**	**Gross carrying amount**	**Credit loss allowance**	**Amortised cost / fair value**
Group							
Loans to group companies	9	2 651	-	2 651	-	-	-
Operating lease asset	11	9 430	-	9 430	6 549	-	6 549
Trade and other receivables	16	1 512 009	(220 990)	1 291 019	1 661 400	(98 518)	1 562 882
Cash and cash equivalents	17	1 809 447	-	1 809 447	6 186 856	-	6 186 856
		3 333 537	**(220 990)**	**3 112 547**	**7 854 805**	**(98 518)**	**7 756 287**
Company							
Loans to group companies	9	707 309	(704 524)	2 785	709 149	(704 524)	4 625
Operating lease asset	11	9 595	-	9 595	6 339	-	6 339
Trade and other receivables	16	1 501 613	(217 182)	1 284 431	1 647 641	(93 619)	1 554 022
Cash and cash equivalents	17	1 784 551	-	1 784 551	6 167 380	-	6 167 380
		4 003 068	**(921 706)**	**3 081 362**	**8 530 509**	**(798 143)**	**7 732 366**

Notes to the Consolidated Financial Statements

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet both expected and unexpected current and future cashflow 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.

At year end, the group had overnight call balances of R3,333 million (2018: R1,085 million).

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.

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 capita! 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 R1 million and 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 Consolidated Financial Statements

Foreign currency exposure at the end of the reporting period

	Group		Company	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000
Financial Assets:				
Euro	28	1	28	1
Special Drawing Rights	9 139	12 794	9 139	12 794
United States Dollar	679	90	679	90
Botswana	4	13	4	13
Financial Liabilities:				
Euro	886	1 121	886	1 121
New Zealand Dollar	191	20	191	20
Special Drawing Rights	8 356	11 031	8 356	11 031
Swiss Franc	3	3	3	3
United States Dollar	3	962	3	962

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)

Foreign currency sensitivity analysis

The following information presents the sensitivity of the group to an increase or decrease in the respective currencies it is exposed to. The sensitivity rate is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated amounts and adjusts their translation at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

Interest rate risk

The interest rate risk is managed in terms of the board approved treasury policy. The policy specifies a percentage gap or repricing mismatch between interest rate sensitive-financial assets and sensitive-financial liabilities which in turn is monitored and measured by the Group's ALM function. Interest rate limit breaches are reported at the ALCO meetings.

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 sensitivity for a given 1% up and downward shift in interest rates at year-end.

Notes to the Consolidated Financial Statements

	Group		Company	
	2020	2019	2020	2019
	R '000	R '000	R '000	R '000
Increase (Decrease)				
1% increase in interest rates:	14 002	36 800	13 753	36 800
1% decrease in interest rates:	(14 002)	(41 111)	(13 753)	(41 111)

Fair value interest rate risk

The table below reflects the impact on the availalbility for sale equity reserve for a given 1% up and downward shift in interest rates at year-end.

Increase (Decrease)				
1% increase in interest rates:	-	(9 447)	-	(9 447)
1% decrease in interest rates:	-	9 550	-	9 550

Loan Interest rate risk

The table below reflect net interest income sensitivity for a given 1% up and downward shift in interest rates at year-end.

Increase (Decrease)				
1% increase in interest rates:	-	(4 000)	-	(4 000)
1% decrease in interest rates:	-	4 000	-	4 000

45. 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.

Notes to the Consolidated Financial Statements

Reconciliation of assets and liabilities measured at level 3			
	Note(s)	**Opening balance**	**Closing balance**
Group - 2020			
Assets			
Heritage assets			
Works of art	6	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	10	122 645	122 645
Financial assets designated at fair value through profit (loss)			
Other financial assets		733 295	733 295
Total		**902 187**	**902 187**
Group - 2019			
Assets			
Heritage assets			
Works of art	6	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	**10**	**113 514**	**113 514**
Financial assets designated at fair value through profit (loss)			
Other financial assets		747 232	747 232
Total		**906 993**	**860 746**

Notes to the Consolidated Financial Statements

	Note(s)	Opening balance	Closing balance
Company - 2020			
Assets			
Heritage assets	6	7 697	7 697
Works of art			
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	10	122 645	122 645
Financial assets designated at fair value through profit (loss)			
Other financial assets		733 295	733 295
Total		**902 187**	**902 187**
Company - 2019			
Assets			
Heritage assets			
Works of art	6	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	**10**	**113 514**	**113 514**
Financial assets designated at fair value through profit (loss)			
Other financial assets		747 232	747 232
Total		**906 993**	**906 993**

Notes to the Consolidated Financial Statements

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.

Valuation processes applied by the Group

The fair value of standing timber is performed by the Group's finance department and operations team, on a quarterly basis. The finance department reports to the Group's Chief Financial officer (CFO). The valuation reports are discussed with the Audit committee in accordance with the Group's reporting policies.

The fair value of investment properties is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being values. The valuation Company provides the fair value of the Group's investment portfolio every six months.

46. Going concern

SA Post Office, as a state company, plays a strategic role in the provision of essential goods and services. The activities of Post Office impact on the quality, accessibility and affordability of services provided to the community, especially the poor and vulnerable

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. Notwithstanding the loss from operation the group financial statement were prepared on a going concern basis.

The directors believe that, the company will have adequate financial resources to continue in operation for the foreseeable future, and accordingly, the annual financial statements have been prepared on a going concern basis.

47. Transfer of PostBank

The Minister of Telecommunications and Digital Technologies has gazetted the incorporation of PostBank SOC Ltd as separate state owned entity reporting to the South African Post Office SOC Ltd as a subsidiary with effect from 01 April 2019. Prior to the decision, PostBank was a division of the SA Post Office.

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.

The effect of the separation in SA Post Office statement of financial position was as follows

Assets	**1 April 2019**
Non-current assets	153 886
Current Assets – Inventory	5 714 973
Cash and cash equivalents	3 258 850
Total Net Assets	**9 127 709**
Equity and Liabilities	
Trade and other payables	(5 583 573)
Other current liabilities	(2 139)
Total equity and liabilities	**(5 585 712)**
Net asset value	
Total assets	9 127 709
Total liabilities	(5 585 712)
Total net asset value	**3 541 997**

Notes to the Consolidated Financial Statements

48. Fruitless and wasteful expenditure

	Group		Company	
	2020	2019	2020	2019
	R '000	R '000	R '000	R '000
Opening balance	367 647	311 082	349 630	293 493
Add: Fruitless and wasteful expenditure - current year	20 531	53 979	20 480	53 551
Add: Fruitless and wasteful expenditure - prior year	6 113	2 586	6 095	2 586
	394 291	**367 647**	**376 205**	**349 630**
Analysis of waiting condonation per age classification				
Current period	20 531	53 979	20 480	53 551
Prior years	373 760	313 668	355 725	296 079
	394 291	**367 647**	**376 205**	**349 630**

Fruitless and wasteful expenditure to the amount of R20.5 million relates to interest, fines and legal fees due to creditors not being paid as a result of Post Office's financial constraints during the financial year.

49. Material losses due to criminal conduct

	Group		Company	
	2020	2019	2020	2019
	R '000	R '000	R '000	R '000
Other incident (Fraud and theft)	45 315	36 501	45 315	36 501

The South African Post Office considers losses of R2 million and above to be material. There has been no single incident in the financial year where the materiality threshold was breached.

Notes to the Consolidated Financial Statements

50. Irregular expenditure

	Group		Company	
	2020	2019	2020	2019
	R '000	R '000	R '000	R '000
Opening balance under investigation	1 232 276	1 049 515	1 182 388	1 000 291
Add: Current period irregular expenditure	215 877	182 761	198 479	182 097
Irregular expenditure awaiting condonation	**1 448 153**	**1 232 276**	**1 380 867**	**1 182 388**
Analysis of awaiting condonation per age classification				
Current period	215 877	182 761	198 479	182 097
Prior years	1 232 276	1 049 515	1 182 388	1 000 291
Total irregular expenditure awaiting condonation	**1 448 153**	**1 232 276**	**1 380 867**	**1 182 388**

Irregular expenditure

Irregular expenditure is expenditure other than unauthorised expenditure incurred in contravention of, or that is not in accordance with, a requirement of any applicable legislation, including

- The PFMA Act; or
- The State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of that 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 institutions procuring goods or services by means other than through competitive bids and where reasons for deviating from inviting competitive bids have not been recorded and approved by the accounting officer or accounting authority; and
- 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.

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.

The process to identify any other irregular expenditure is continuing in order to have these investigated and condoned where relevant. Also, the expenditure was incurred or paid to address institutional requirements.

SA Post Office has an established Financial Misconduct Committee (FMC) to review and to ensure that all "Financial Misconducts" within the Post Office 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 amount of R1,448 million for the 2020 financial year relates to "irregular expenditure awaiting condonation" for Post Office Group, which includes an amount of R192,813 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 R1,381 million for Post Office relates to "irregular expenditure awaiting condonation from the financial year 2016 to 2020 and includes an amount of R192,813 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 R198 million (2019: R182 million) relates to expenditure incurred in the 2020 financial year.

Notes to the Consolidated Financial Statements

The amount of R16,6 million for the 2020 financial year relates to expenditure incurred in the prior years and the "irregular expenditure awaiting condonation" for Postbank.

The amount of R5,2 million includes an amount of R796k for the 2020 financial year (2019: R423k) that 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.

51. Borrowings

	Group		Company	
	2020	2019	2020	2019
	R '000	R '000	R '000	R '000
Held at amortised cost secured				
Other financial liability – 1	196 127	-	196 127	-
Terms and conditions				
Unsecured				
Split between non-current and current portions				
Non-current liabilities	196 127	-	196 127	-

52. Right of use Asset

Details pertaining to leasing arrangements, where the group is lessee are presented below:

Net carrying amounts of right-of-use assets

The carrying amounts of right-of-use assets are as follows:

	Opening Balance	Depreciation	Additions	Derecognition	Other	Total
Motor vehicles	227 130	-	-	-	-	-
Property, Plant and Equipment	416 300	-	-	-	-	-
	643 430	**-**	**-**	**-**	**-**	**-**

	Opening Balance	Depreciation	Additions	Derecognition	Other	Total
Lease liabilities						
Non-current liabilities	667 433	-	-	667 433	-	-

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